



CLS

CLS Holdings plc

# Full Year Results 2022

# The best offices in our locations

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Chief Executive Officer



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# Overview

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**Fredrik Widlund**  
Chief Executive Officer

# Solid and resilient results

CLS Holdings plc Full Year Results  
2022

- EPRA EPS up 2.7% to 11.6p
- Valuations down 5.3% in local currency (down 2.6% in group currency) due to yield expansion
- New leases 4.8% above ERV, over 55% of portfolio index-linked
- Vacancy increased from 5.8% to 7.4% due to completed refurbishments and lease expiries
- Continued investment in our properties with capital expenditure of £58m, up 61% on 2021
- Well advanced with 2023 & 2024 financings
- Net Zero Carbon Pathway making significant progress
- Proposed full year dividend up 3.2% to 7.95p per share

Property portfolio value

**£2.35bn**

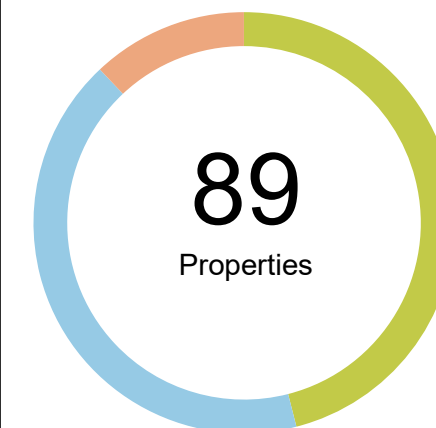
(2021: £2.33bn)

EPRA NTA

**329.6p**

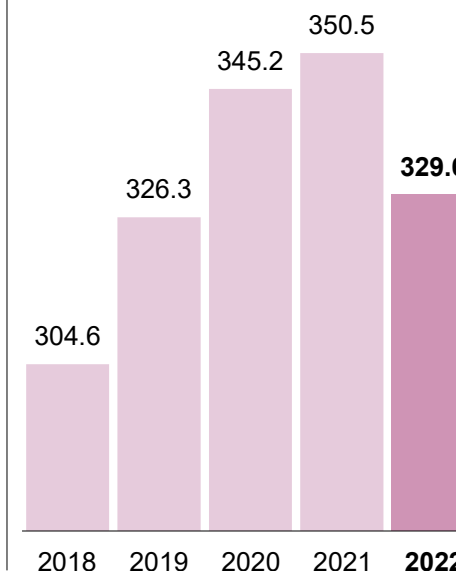
(2021: 350.5p)

Total portfolio



● UK £1,071m 46%  
● Germany £996m 42%  
● France £286m 12%

EPRA NTA (p)



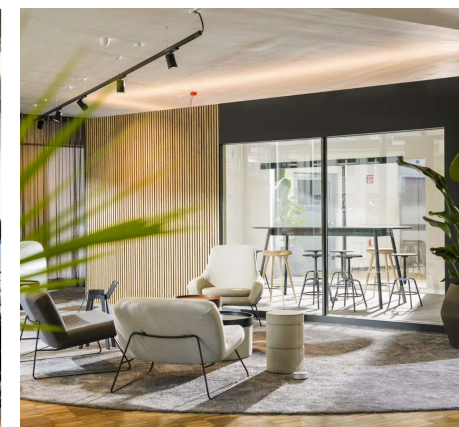
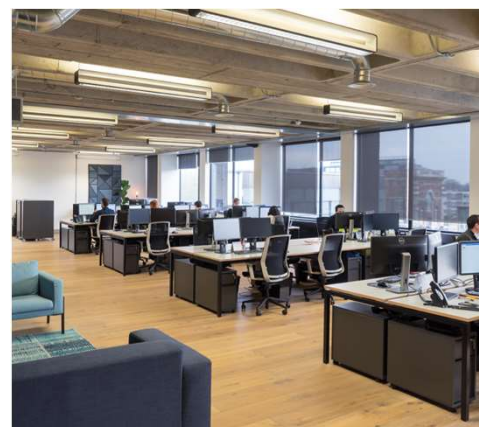
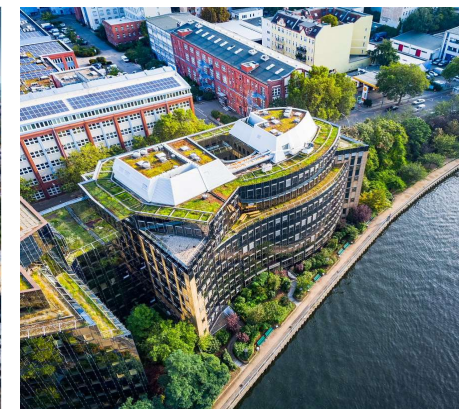
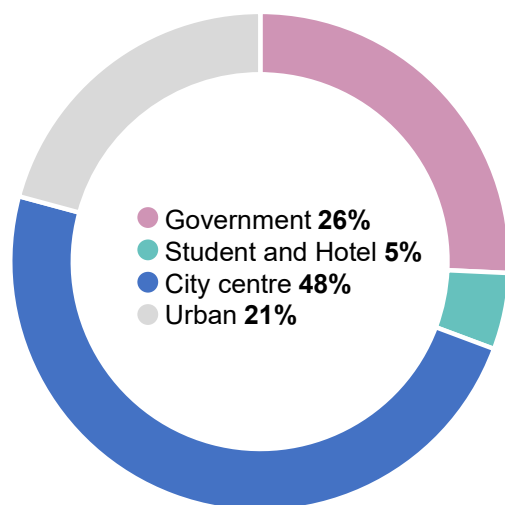
# The best offices in our locations

## CLS owns high quality offices in central and urban locations

Significant improvements made to portfolio in recent years

- Sold most smaller (<£10m) properties
- Disposed of non-core offices in fringe markets including UK regional portfolio
- Sustainability enhancements

Split of property value by classification



**Portfolio is now focussed on better markets with flexible properties that meet occupiers' needs**

# Valuations down 5.3% Outperformance against market

## UK – 6.7% decline, EY up 27bps, ERV down 0.3%

- Government, Central London offices, developments and student & hotel operations outperformed market (56% of UK)
  - 1.4% valuation decline, 36 bps yield expansion but ERV growth of 1.1%
- Other London offices (31% of UK)
  - 10.3% valuation decline, 25 bps yield expansion & ERV decline of 2.5%
- South East offices (13% of UK)
  - 18.0% valuation decline, 59 bps yield expansion, vacancy & ERV decline of 1.5%

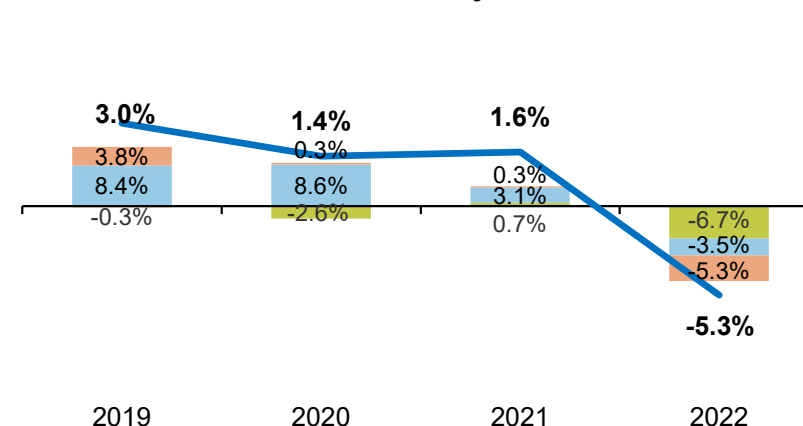
## Germany – 3.5% decline, EY up 30bps, ERV up 1.4%

- Values in our cities fell by 3% to 4% but
  - Berlin down 0.8% due to Adlershofer Tor rooftop extension approval
  - Stuttgart down 11.2% due to the decision to delay LichtHof development

## France – 5.3% decline, EY up 12bps, ERV up 4.9%

- Paris dropped 7.4% reflecting our more suburban locations
- Lyon and Lille were down 2.1% given the stronger Lyon market

Valuation movement in local currency ● UK ● Germany ● France

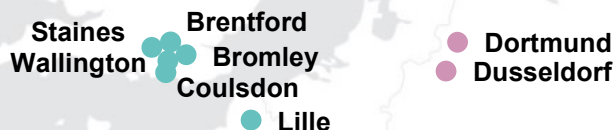


	UK	Germany	France	Group
Total valuation movement (GBP)	-6.7%	1.5%	-0.4%	-2.6%
Valuation movement <sup>1</sup>	-6.7%	-3.5%	-5.3%	-5.3%
ERV movement <sup>1 2</sup>	-0.3%	+1.4%	+4.9%	+1.1%
Equivalent yield	5.61%	4.75%	5.13%	5.18%
Equivalent yield movement <sup>1 2</sup>	+27bps	+30bps	+12bps	+25bps
EPRA vacancy	10.0%	6.1%	2.6%	7.4%
Vacancy movement	+460bps	-130bps	-40bps	+160bps

<sup>1</sup> Local currency

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

# Net acquirer in 2022 but likely net seller in 2023



## 2022: Acquisitions

- 2 properties
- NIY 5.1%, RY 5.6%
- Contracted rent £4.2m

### Germany

- Kanzlerstrasse 8, Dusseldorf (completed April 2022)
- The Yellow, Dortmund (completed July 2022)

£76.9m

## 2022: Disposals

- 6 properties
- NIY 5.4%
- Contracted rent £4.1m

### UK

- Kings House, Bromley (completed January 2022)
- Crosspoint House, Wallington (completed March 2022)
- London Road, Staines (completed July 2022)
- Great West House, Brentford (completed August 2022)
- Sentinel House, Coulsdon (completed October 2022)

### France

- Rue Nationale, Lille (completed July 2022)

£57.9m

# Financials & Occupiers



**Andrew Kirkman**  
Chief Financial Officer



# Summary of key metrics

## EPRA NTA

**329.6p**

(31 Dec 2021: 350.5p)

**-6.0%**

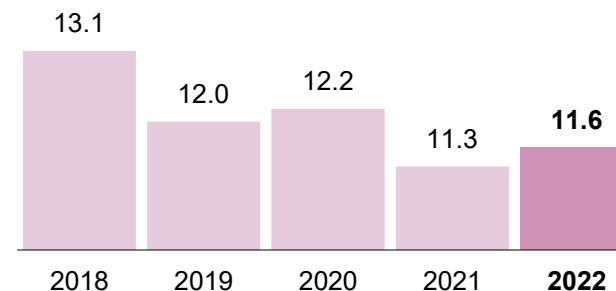
## EPRA EPS

**11.6p**

(31 Dec 2021: 11.3p)

**+2.7%**

## EPRA EPS (pence)



## Cost of debt

**2.69%**

(31 Dec 2021: 2.22%)

**+47bps**

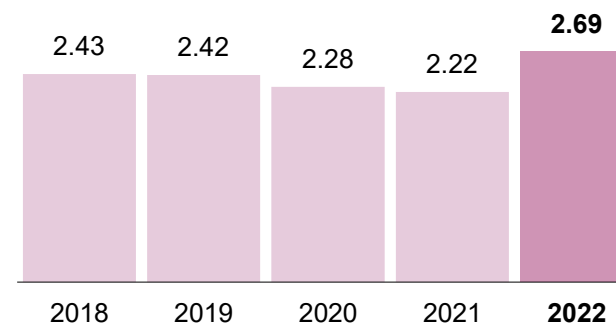
## % of debt fixed and capped

**76%**

(31 Dec 2021: 90%)

**-14%**

## Cost of debt (%)



## Total proposed dividend

**7.95p**

(31 Dec 2021: 7.70p)

**+3.2%**

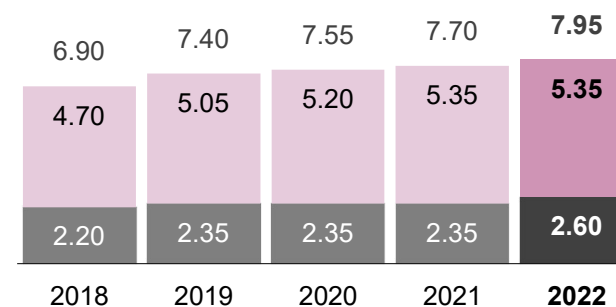
## Total accounting return

**-3.7%**

(31 Dec 2021: +3.7%)

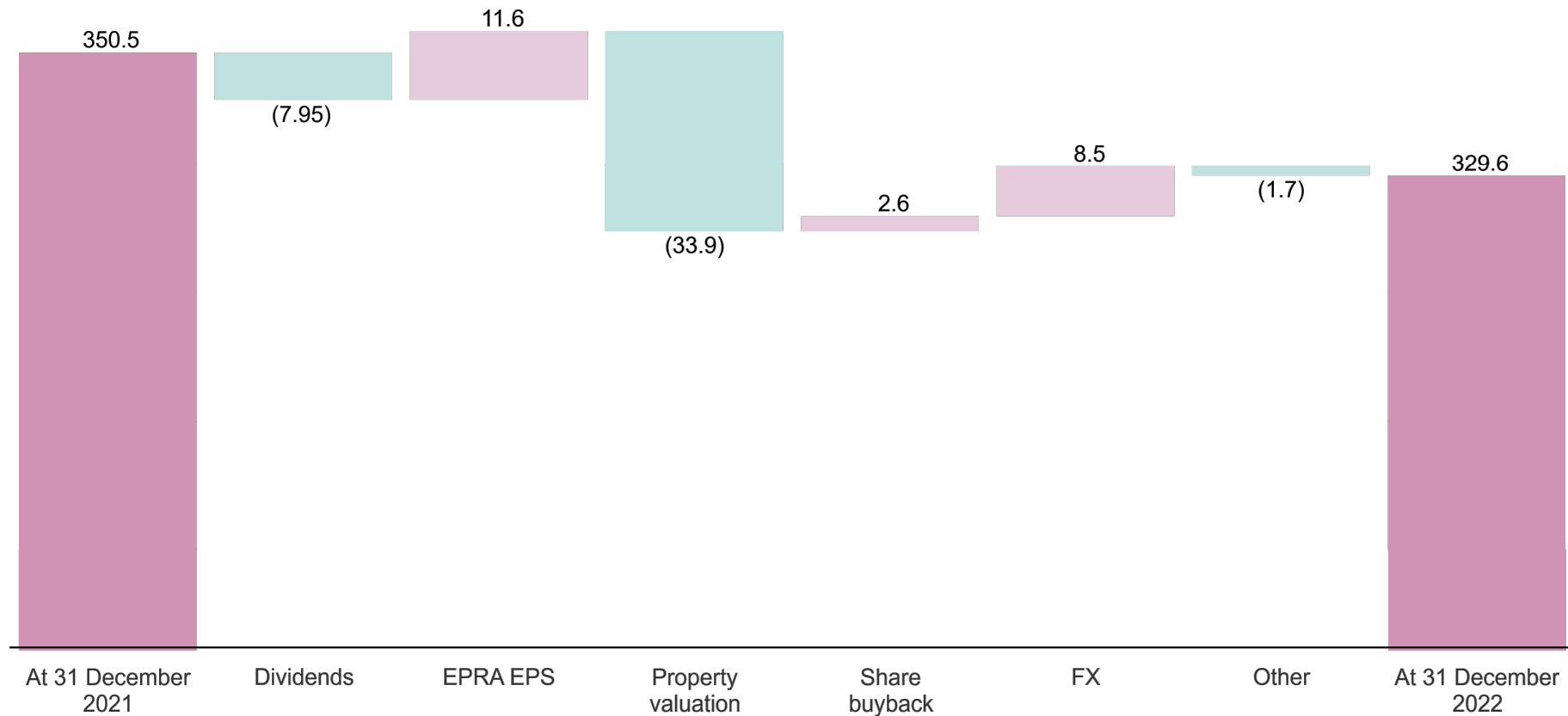
**-740bps**

## Dividend/share (pence)



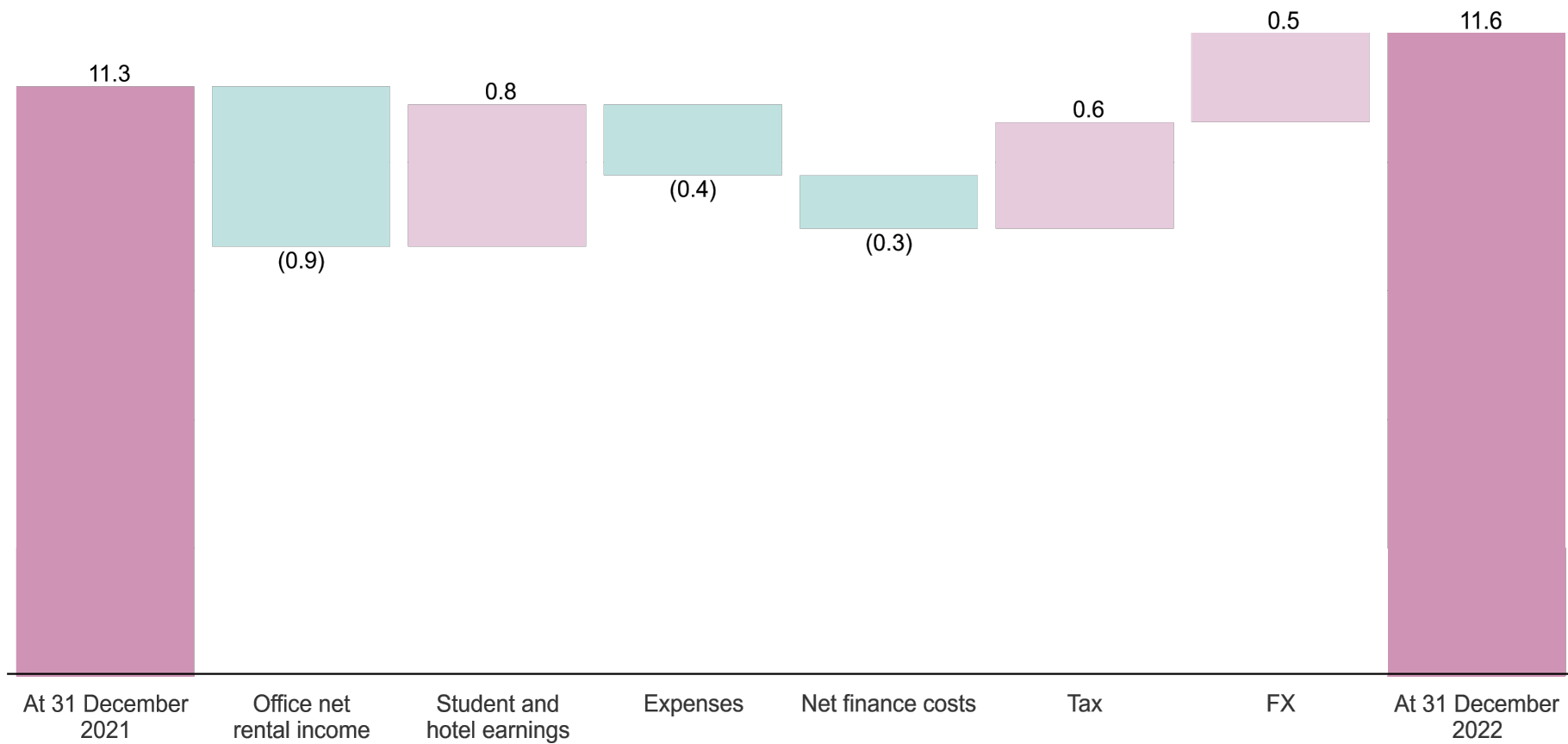
# NTA impacted by valuation decline

Movement in EPRA NTA (pence per share)



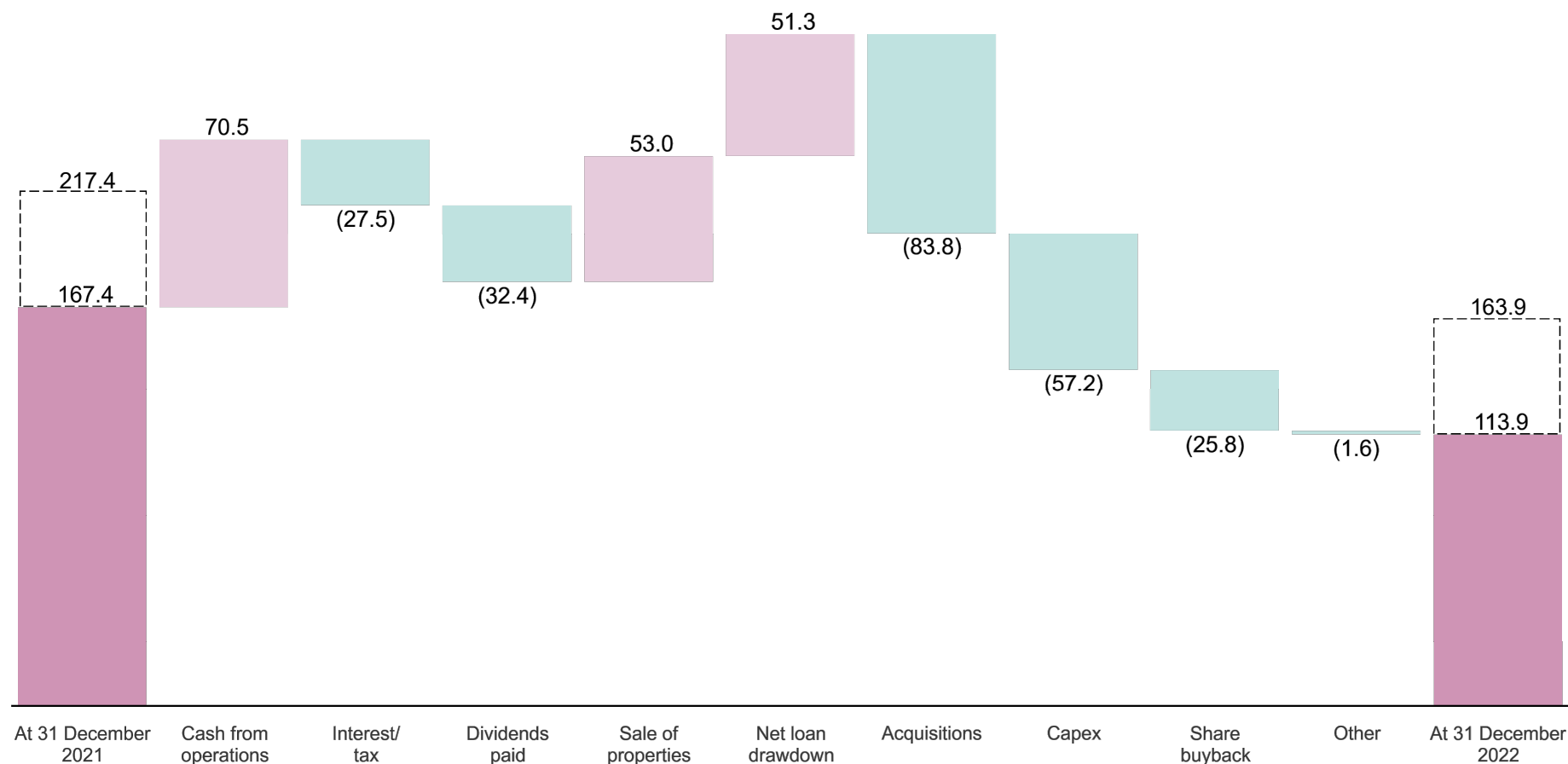
# EPRA earnings up 2.7%

Movement in EPRA EPS (pence per share)



# Strong cash position whilst investing in the portfolio

Movement in liquid resources (£m)

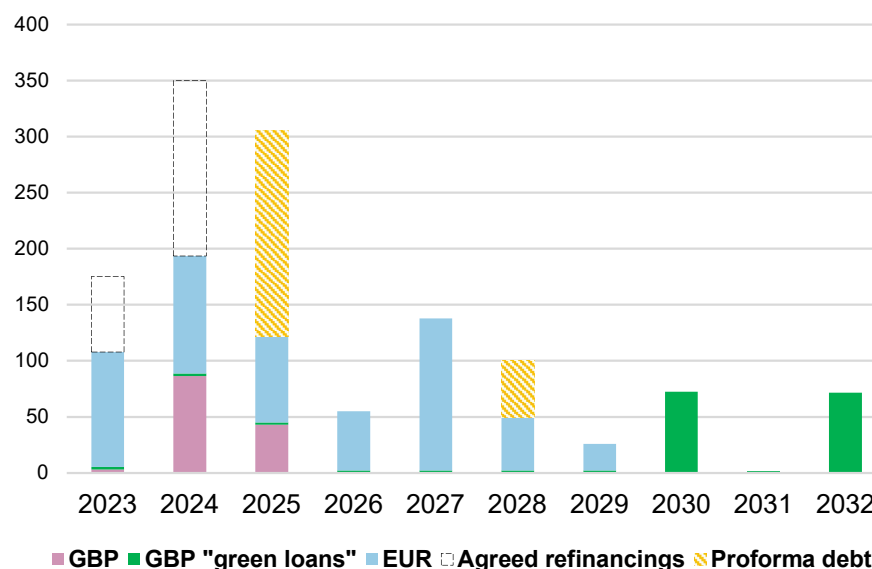


£50m of undrawn facilities

# Well progressed with 2023 & 2024 financings

- **LTV increased in 2022 to 42.2% from 37.1% due to investment in the portfolio and valuation declines**
  - Targeted to reduce below 40% in 2023 from sales
- **In 2022 financed and extended £229.9m at 3.24%**
  - £79.9m in GBP at 4.42% and £150.0m in EUR at 2.68%
  - £58.4m fixed at 3.17% with remainder floating
- **Considerable progress made with 2023-2024 maturities**
  - Progressed 6 refinancings for £237m with roughly half executed, and the remainder credit approved or well advanced
  - Confident that remaining amount will be refinanced
- **Interest expense will increase in 2023**
  - 24% of portfolio floating and unhedged, and further 14% to be refinanced in 2023
  - Expect increase in cost of debt of c.50-60 basis points using latest interest swap rates

Debt maturity (£m)

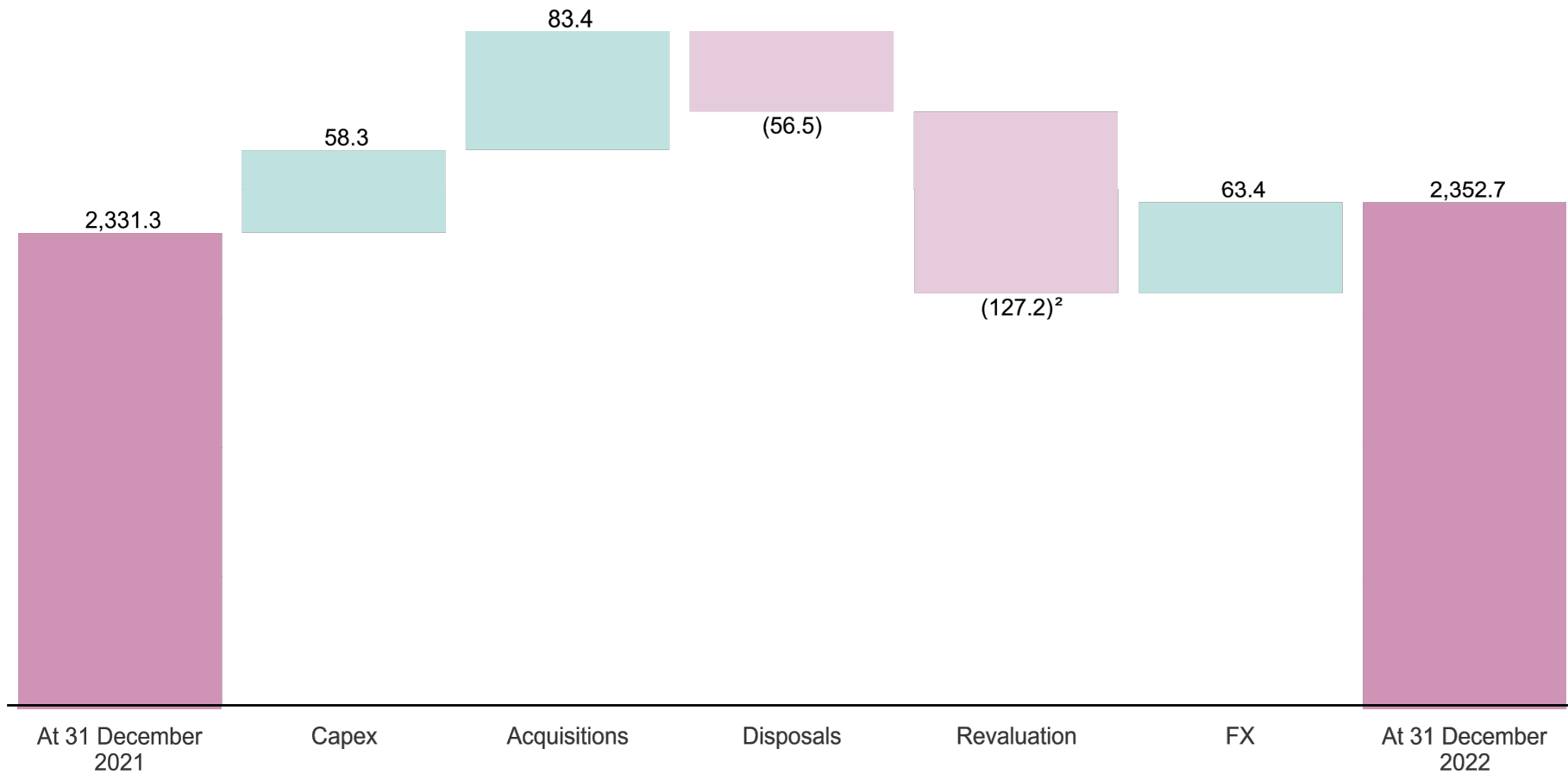


	UK	Germany	France	Group
Drawn debt (£m)	520.9	467.3	123.0	1,111.2
Number of loans	10	24	12	46
Loan-to-value	48.3%	46.8%	42.7%	42.2% <sup>1</sup>
Cost of debt	3.48%	1.90%	2.35%	2.69%
Years to maturity	4.6	3.2	2.1	3.8

<sup>1</sup> Includes centrally held cash of £113.9m

# Growth through capex and acquisitions

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 £7.8m and depreciation of £0.2m

# Securing income

**106 deals secured £8.2m of annual rent 4.8% above ERV**

(31 Dec 2021: 125 deals secured £12.9m of annual rent 0.4% above ERV)

Lease extensions

**40%**

New leases

**60%**

(31 Dec 2021: Ext. 49%, New 51%)

Like-for-like contracted rent

**+2.9%**

(31 Dec 2021: +1.1%)

WAULT

**4.5 years**

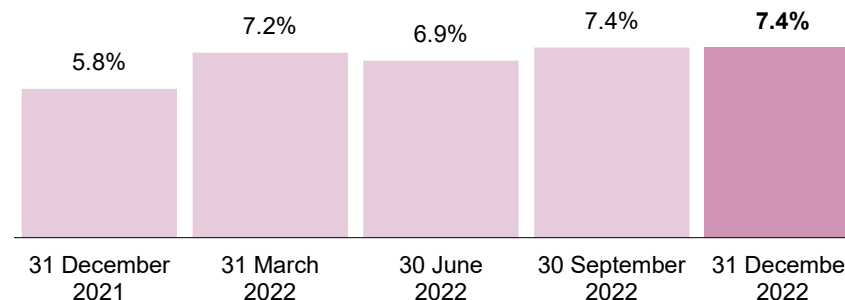
(31 Dec 2021: 4.6 years)

Like-for-like ERV

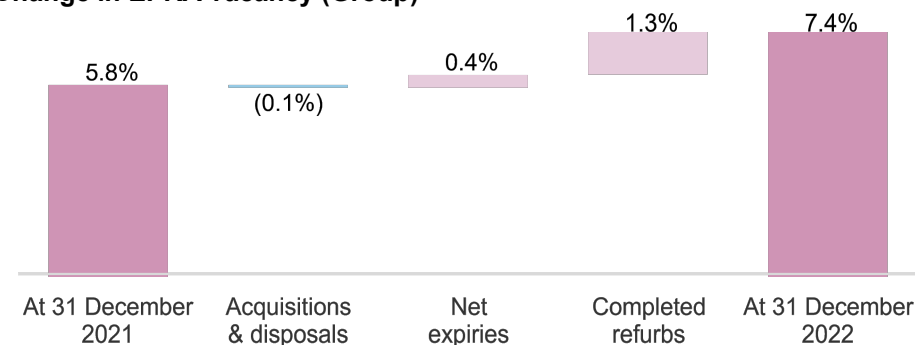
**+1.1%**

(31 Dec 2021: +0.7%)

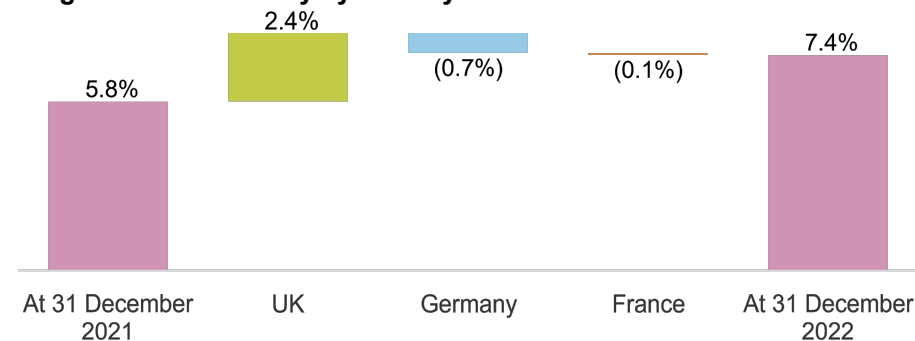
12 month quarterly EPRA vacancy



Change in EPRA vacancy (Group)



Change in EPRA vacancy by country

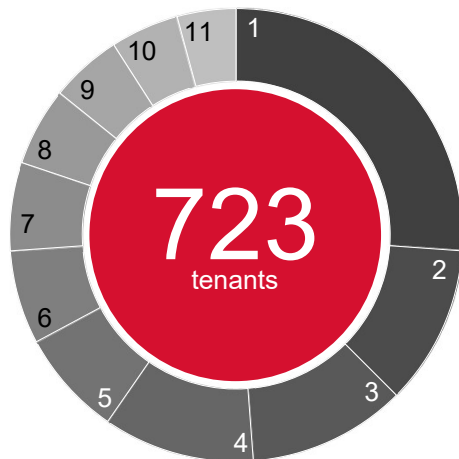


## Occupiers

# High quality and diversified tenant base

### Tenant diversity %

1	Government	26.1
2	Commercial & Professional Services	11.4
3	Information Technology	11.3
4	Consumer Discretionary	10.8
5	Communication Services	7.6
6	Industrials	6.7
7	Health Care	6.3
8	Real Estate	5.6
9	Financials	5.1
10	Other	4.9
11	Consumer Staples	4.2



### Top 15 tenants (35% of contracted rent)

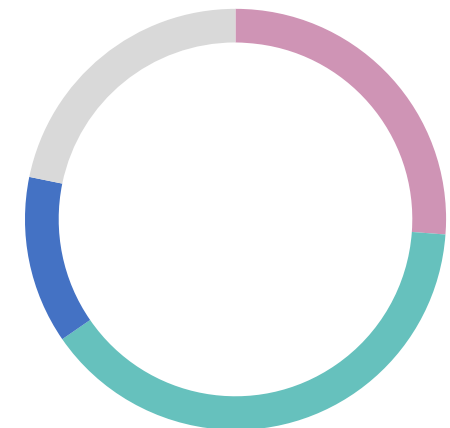


### Rent collection

# 99%

(31 Dec 2021: 99%)

### Tenant size<sup>1</sup>



- Government 26%
- Large 39%
- Medium 13%
- Other 22%



# Over 55% of income index-linked



**United Kingdom**

Percentage of rental income index-linked

**33%**

- 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 (2022 uplift 10.5%)
- Other indexed leases reference RPI or CPI

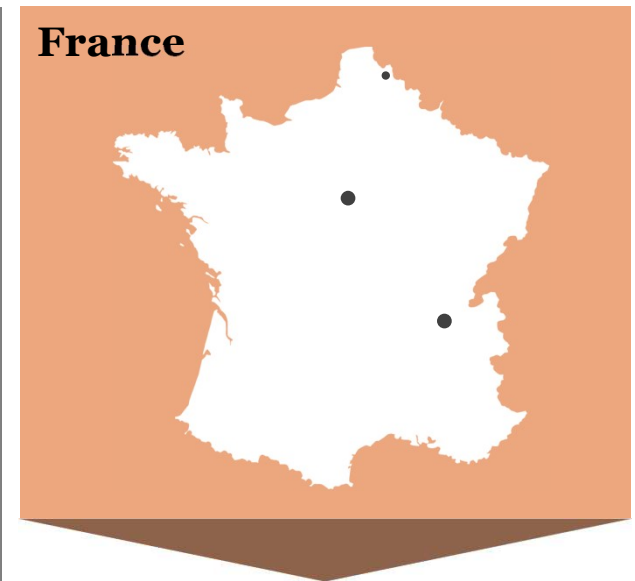


**Germany**

Percentage of rental income index-linked

**64%**

- 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 2022 average 6.3% inflation increase
- A further 20% are subject to annual stepped rent of c.2.3%



**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 2022 average 3.3% inflation increase

# Portfolio & Sustainability

An aerial photograph of a large, multi-story building with a flat roof covered in solar panels. The building is surrounded by a parking lot with several cars parked. The image is taken from a high angle, looking down at the building and the surrounding area.

**Fredrik Widlund**  
Chief Executive Officer

# Major projects

## Vauxhall Walk, “The Coade” London



- New build 28,400 sq. ft energy efficient commercial office over 10 floors. Roof terraces with views across Vauxhall and to the City
- No fossil fuels, hybrid VRF, openable windows and fresh air at 14l/s. EPC A and BREEAM Excellent
- Practical completion is due in April 2023. Viewings have commenced with positive feedback
- Financials: total investment of £18.5m, ERV £1.5m, ave. rent £55 sq. ft, rental yield 7.0%

## Prescot Street, “Artesian” London



- Refurbishment of the entire 92,500 sq. ft building, with an expansive roof terrace providing city views
- No fossil fuels, hybrid VRF, Bi-Polar UV, openable windows and fresh air at 14l/s
- Construction progressing well up to 3rd floor. Works have commenced on floors 4-6. PC due Q2/Q3 2023
- Financials: total investment of £31m, ERV £4.8m, ave. rent £60 sq. ft, rental yield 5.7%

## Park Avenue, Lyon



- 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
- Construction completed. PC March 2023
- Financials: total investment of €11.2m, ERV €1.7m, ave. rent €215 psm pm, rental yield 4.7%

# Progress in 2022: energy & carbon

- Good progress on Net Zero Carbon Pathway implementation, £11m invested to date, another £54m by 2030
- 57 NZC projects completed saving over 600 Tonnes CO<sub>2</sub>e<sup>1</sup> annually
- Rooftop solar PV expansion continues: 51% increase in ‘free electricity’ for occupiers
- Installed 43 EV charging points at 12 buildings in the UK
- UK EPC ratings continue to improve

Total GHG<sup>2</sup> emissions  
(Scope 1 & 2 like-for-like)

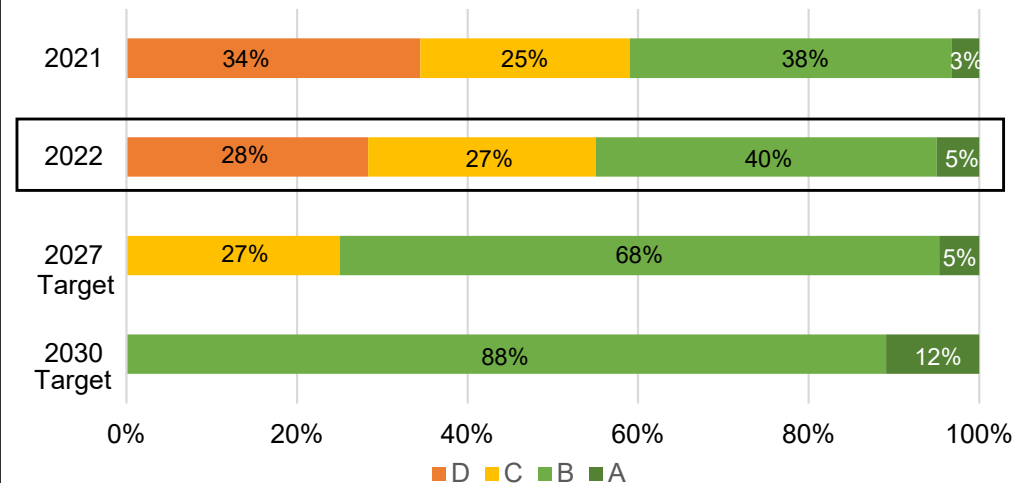
**-16%**

(2021: +25%)

Solar PV installed this year

**347 kWp<sup>3</sup>**

EPC (UK) ratings evolution



<sup>1</sup>CO<sub>2</sub>e Carbon dioxide equivalent <sup>2</sup>GHG Green house gas <sup>3</sup>kWp Kilowatt peak

# Markets & Outlook

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**Fredrik Widlund**  
Chief Executive Officer

# CLS view

## United Kingdom



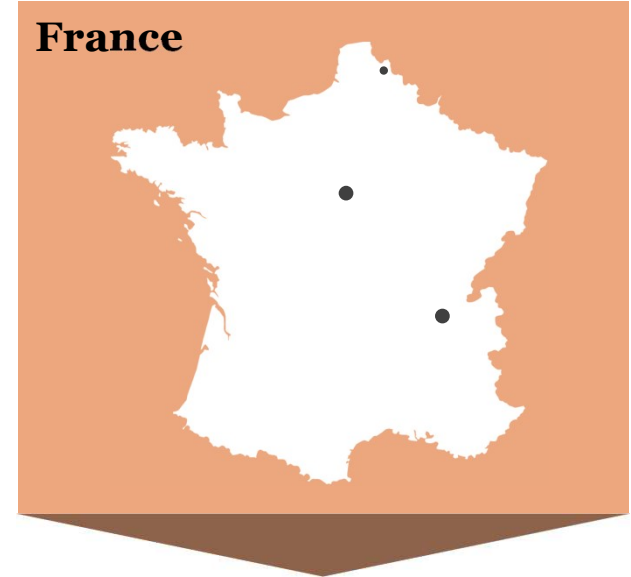
- Leasing markets show growth in Greater London; SE and rest of country slower
- Gradual but growing return to offices is encouraging
- Vacancy in London stable during the year at 8.5%
- Low supply of new offices creates medium-to-long term opportunities but short-term our most challenging occupational market
- Clear flight to quality and sustainability credentials; CLS offers well-located and modern offices

## Germany



- German industry more resilient than some anticipated; dependency from Russian gas significantly reduced
- Leasing transactions and take-up similar to previous and in-line with the 10-year average
- Rental growth across the board for the right properties, likely to continue with limited new construction
- Vacancy in top-seven cities average 5%, Cologne at 3% and Frankfurt at 8%
- Many occupiers have returned to the market and we expect activity to improve gradually

## France

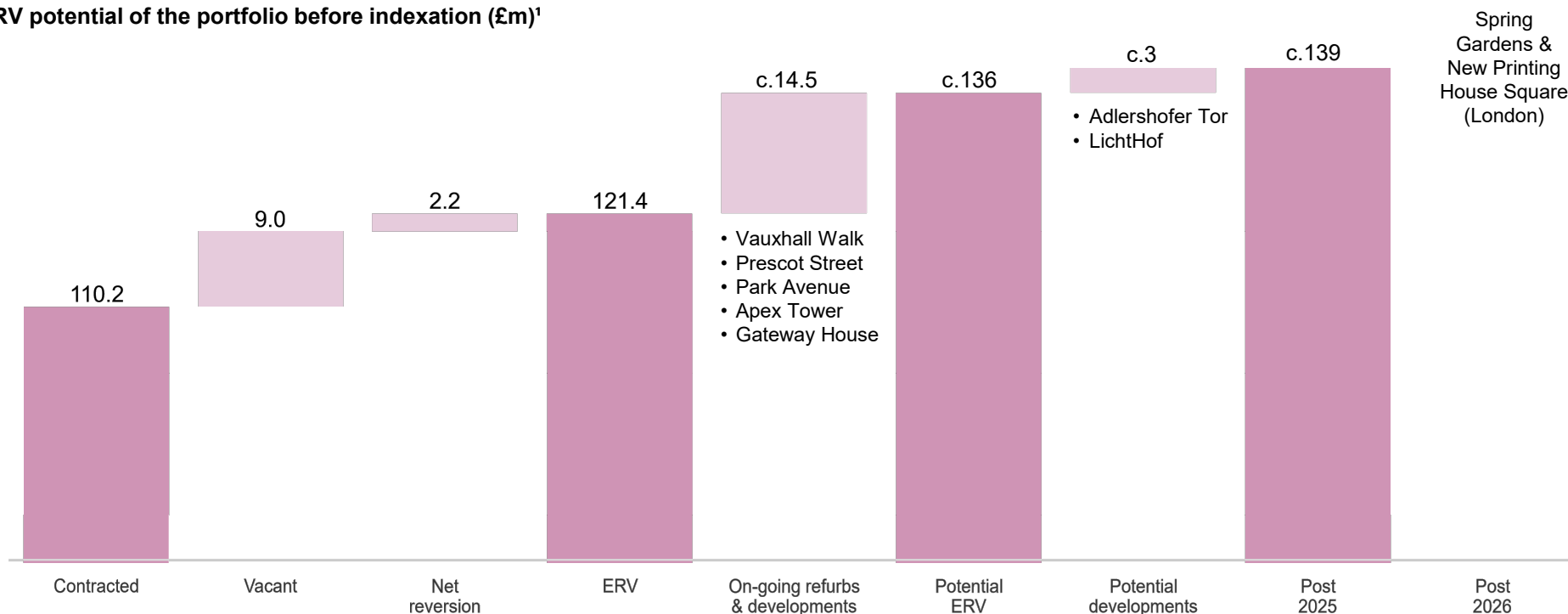


- Proving its resilience with the benefits of a diversified and large domestic market
- Growth in leasing take-up in Paris up 10% and Lyon up 16%
- Demand high for smaller floor space <1,000 sqm which benefits CLS
- Vacancy in Greater Paris 7.8% but large differences between districts; Lyon vacancy down to 4.4%
- Expect strong Lyon market and a fragmented Greater Paris market with pockets of growth and others proving more challenging

# Significant growth opportunities

- Focus on reducing vacancy to drive increased rental income in coming years
- Indexation also driving rental growth, over 55% of portfolio index-linked
- Significant medium-term upside from letting completed refurbishments and developments
- Longer term, larger development opportunities in central London

ERV potential of the portfolio before indexation (£m)<sup>1</sup>

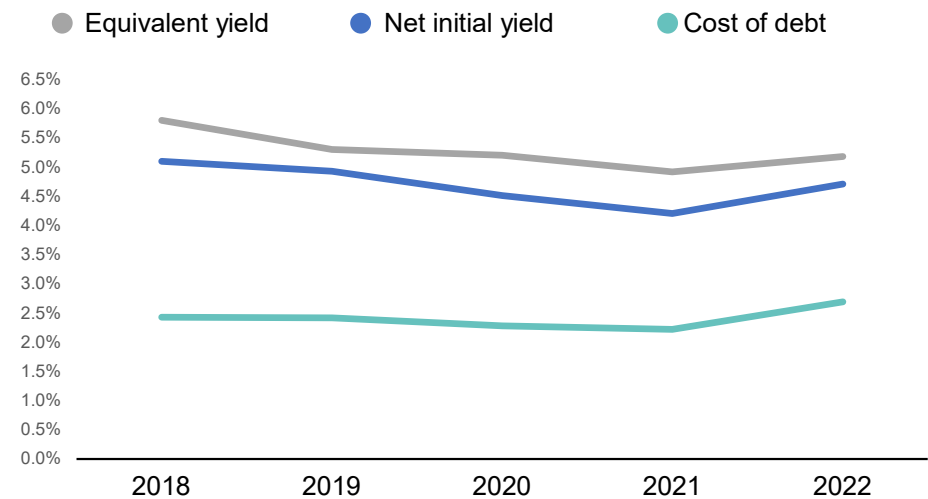


<sup>1</sup> Not a profit forecast, for illustrative purposes only  
Does not include prospective acquisitions, disposals or like-for-like rental growth

# Well placed for the future

- Solid results: EPRA EPS up 2.7%, EPRA NTA down 6.0%
- Full year dividend up 3.2% to 7.95p
- Future proofing the portfolio; investing in quality and sustainability
- Capex of £58m in 2022, similar for 2023 before reducing to c.£30m p.a.
- Operational focus for the year on reducing vacancy and completing refinancings
- Net seller in 2023 to reduce LTV and provide flexibility for future opportunities
- Significant portfolio upside from vacancy, indexation and completed refurbishments and developments
- We have the best properties in our locations

Net initial yield vs. cost of debt





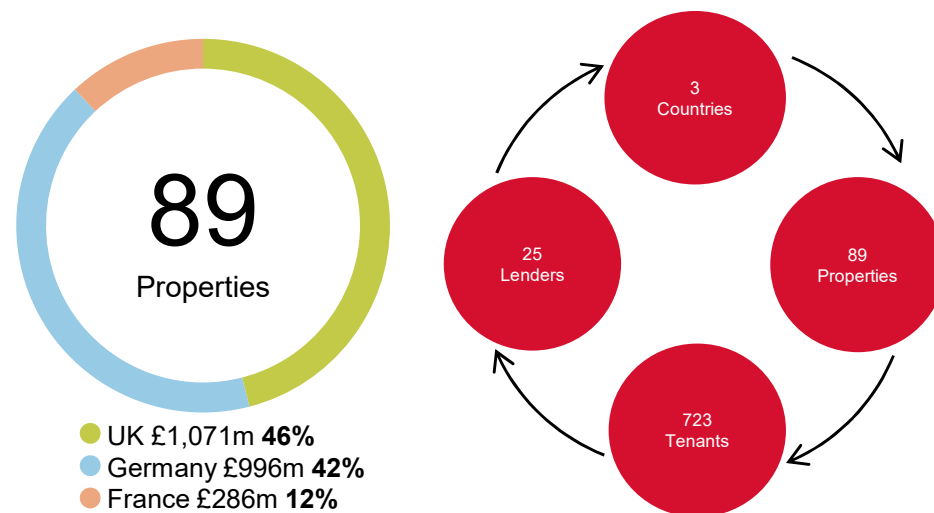
# Appendices

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# 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



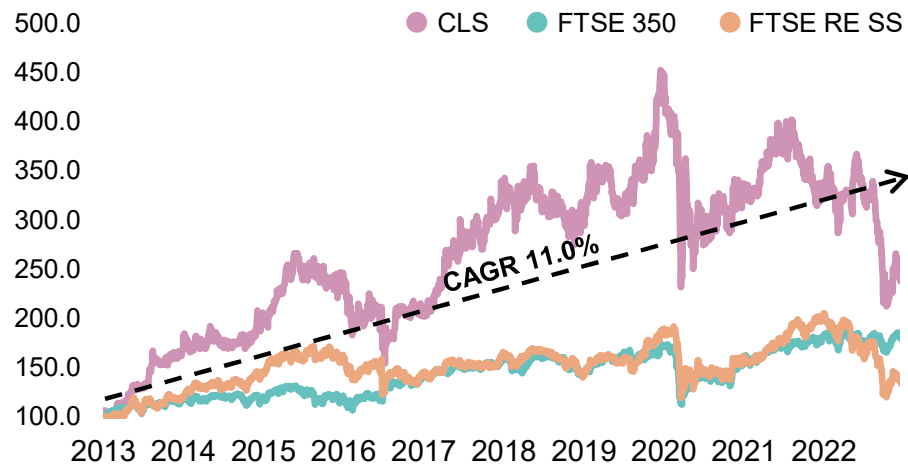
### Top 10 shareholders

As at 8 March 2023

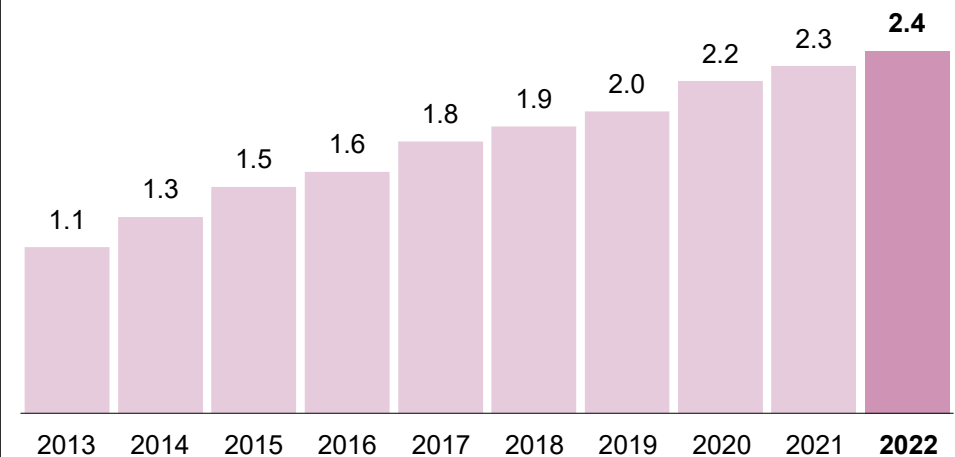
The Sten and Karin Mortstedt Family and Charity Trust	51.5%
Mr Bengt Mortstedt	6.5%
Columbia Threadneedle	3.9%
BlackRock	3.4%
Allianz	3.1%
Janus Henderson	2.6%
Amati Global	2.3%
Vanguard	2.2%
Invesco	1.9%
AXA	1.6%

# Long-term growth

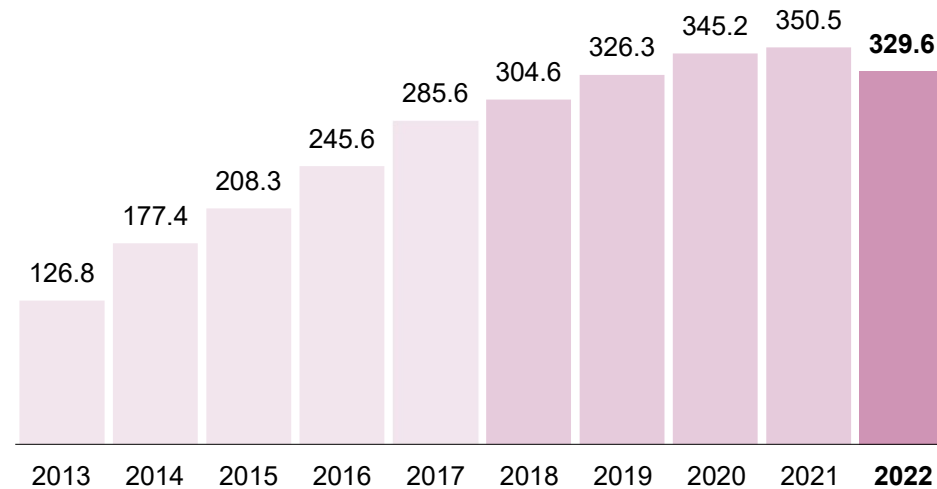
Total shareholder return



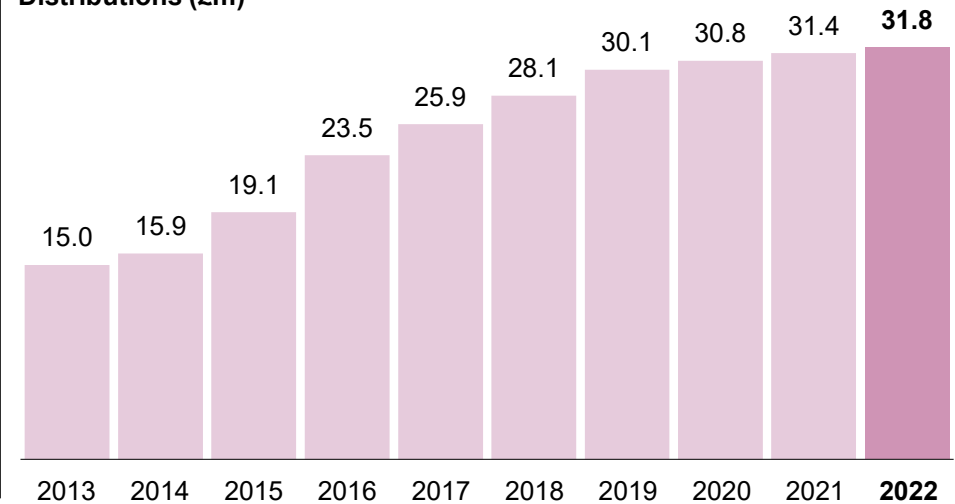
Property valuation (£bn)



EPRA NTA (pence)<sup>1</sup>



Distributions (£m)



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

# Sustainability

- Achieved 12 of our 2022 sustainability objectives and partially achieved 5
- 562 employee volunteering hours given to community and charitable organisations
- Social Value baseline calculated for the first time
- New Diversity Equity & Inclusion plan & committed to Living Wage Foundation accreditation
- Waste & water use increased with increasing occupancy
- Spring Mews office achieved BREEAM In-Use 'Excellent' rating and 85% of managed portfolio rated 'Good' or above
- Broadened scope of independent assurance to all EPRA sBPR environmental indicators

**<sup>1</sup>EPC**

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.

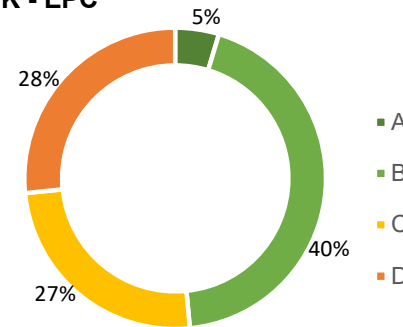
**<sup>2</sup>Diagnostic de performance énergétique (DPE)**

Energy intensity performance rating (A-I)

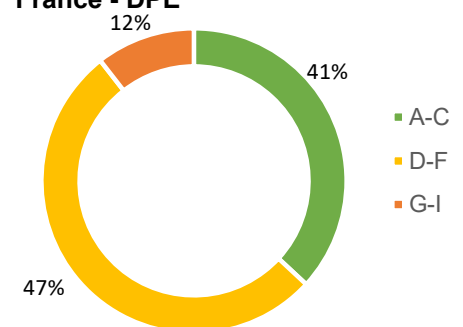
**<sup>3</sup>Energieausweis (EnEV)**

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

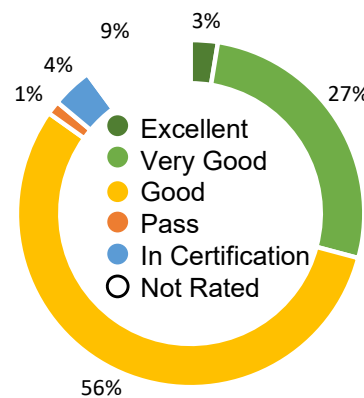
**UK - EPC<sup>1</sup>**



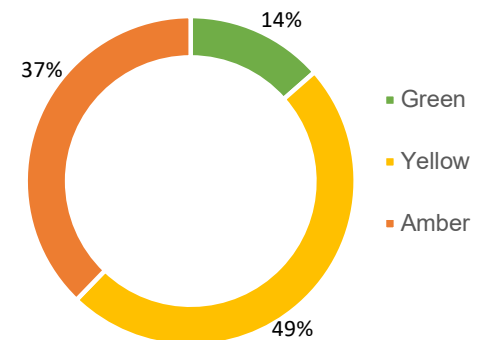
**France - DPE<sup>2</sup>**



**BREEAM In-Use**



**Germany EnEV<sup>3</sup>**



# United Kingdom



**UK properties**

London	28
South East	10
Birmingham	1
<b>Total</b>	<b>39</b>

Value of property portfolio

**£1,170.6m**

Percentage of Group's property interests

**46%**

Number of properties

**39**

Number of tenants

**204**

Vacancy rate

**10.0%**

Lettable space

**1.8m sq. ft**

Government and large companies

**78%**

Weighted average lease length to end

**3.7 years**

**London & South East**



# Germany



**German properties**

Hamburg	8
Munich	7
Berlin	4
Dusseldorf	4
Stuttgart	3
Dortmund	3
Cologne	1
Nuremberg	1
Bochum	1
Essen	1

33

Value of property portfolio

**£996.0m**

Percentage of Group's property interests

**42%**

Number of properties

**33**

Number of tenants

**372**

Vacancy rate

**6.1%**

Lettable space

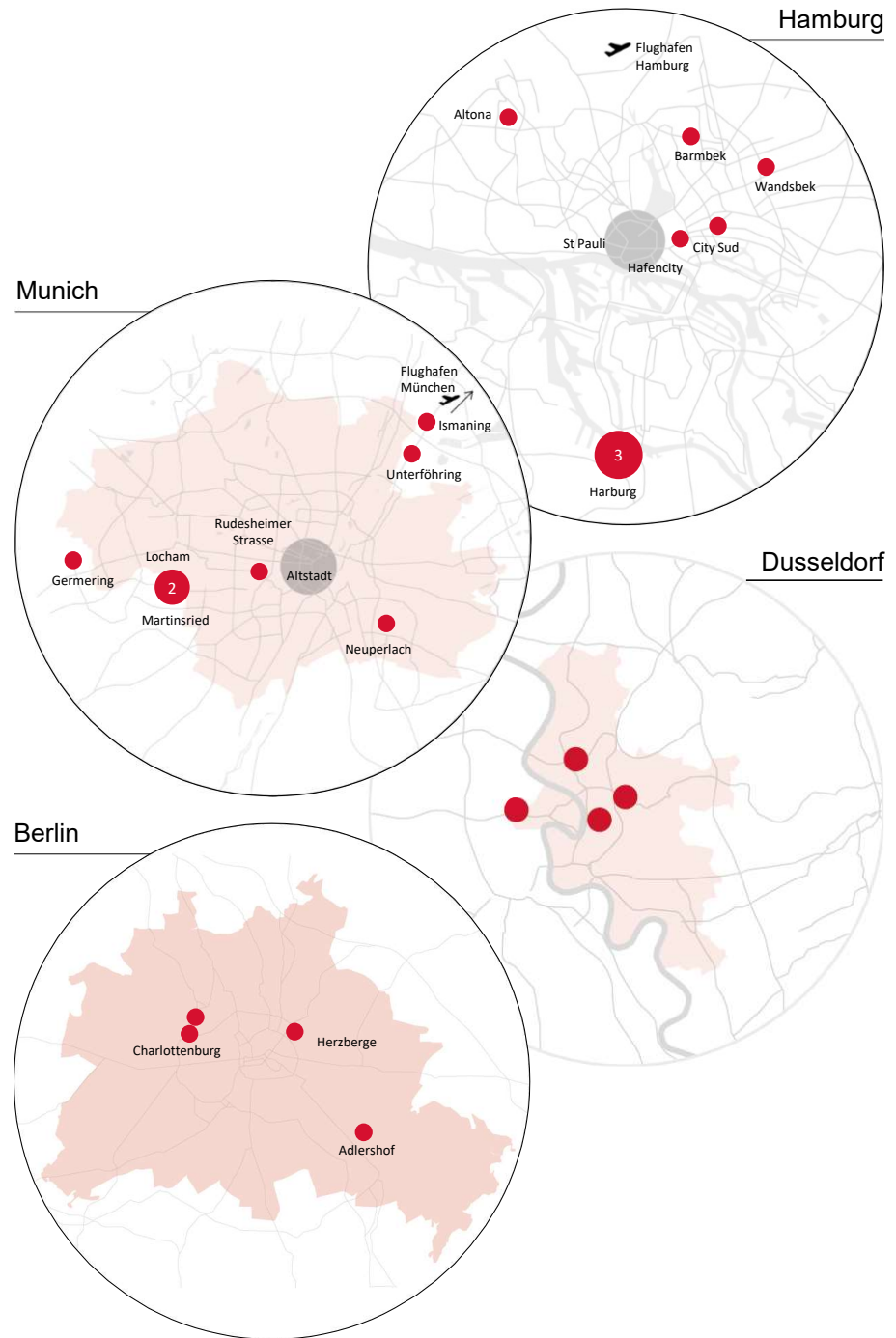
**3.9m sq. ft**

Government and large companies

**56%**

Weighted average lease length to end

**5.2 years**



# France



**French properties**

Paris	11
Lyon	5
Lille	1
<b>Total</b>	<b>17</b>

Value of property portfolio

**£286.1m**

Percentage of Group's property interests

**12%**

Number of properties

**17**

Number of tenants

**147**

Vacancy rate

**2.6%**

Lettable space

**0.8m sq. ft**

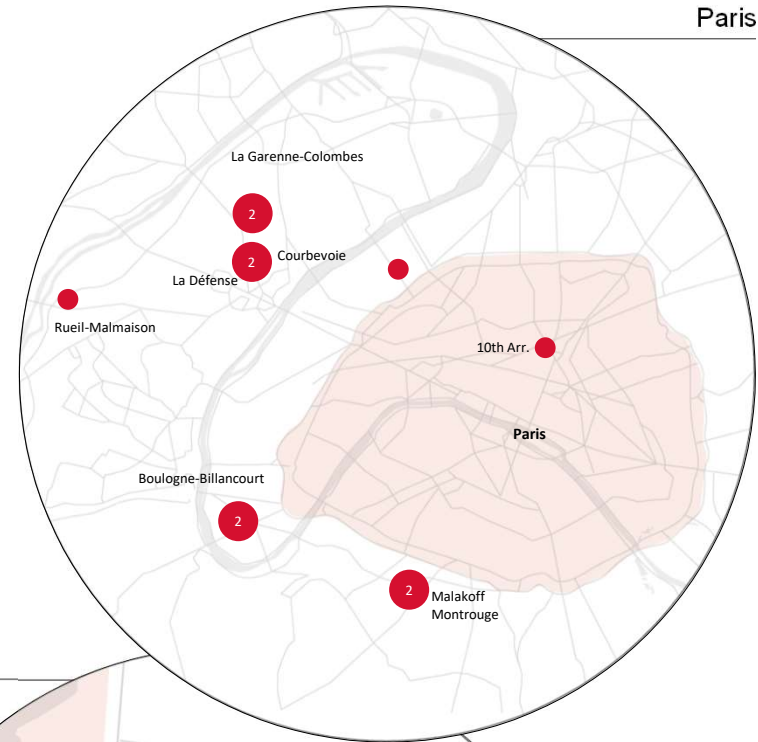
Government and large companies

**56%**

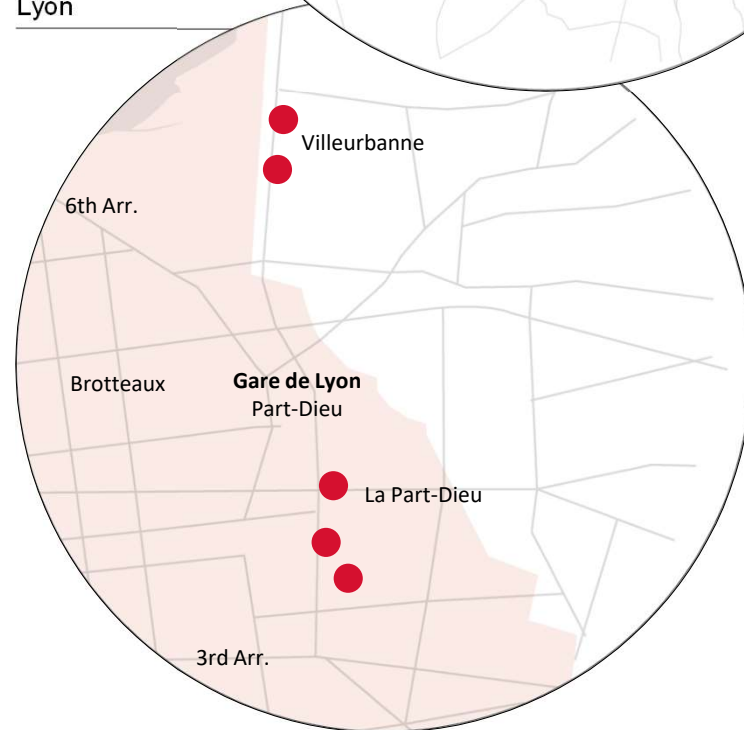
Weighted average lease length to end

**4.9 years**

Paris



Lyon



# Group statistics

At 31 December 2022	Valuation <sup>1</sup> (£m)	Valuation increase (local currency)	EPRA NIY <sup>2</sup>	EPRA 'topped up' NIY <sup>3</sup>	Equivalent yield <sup>4</sup>	EPRA vacancy	Weighted average unexpired lease term (years)	ERV of lettable space (£m)	Contracted rent (£m)	Contracted rent (£/sq. ft)
<b>UK</b>	1,070.6	<b>-6.7%</b>	4.93%	<b>5.16%</b>	5.61%	10.0%	<b>3.7</b>	54.2	<b>48.1</b>	£29.94
<b>Germany</b>	996.0	<b>-3.5%</b>	3.85%	<b>4.31%</b>	4.75%	6.1%	<b>5.2</b>	51.5	<b>47.4</b>	€14.78
<b>France</b>	286.1	<b>-5.3%</b>	4.12%	<b>4.76%</b>	5.13%	2.6%	<b>4.9</b>	15.7	<b>14.7</b>	€22.22
<b>Total portfolio</b>	<b>2,352.7</b>	<b>-5.3%</b>	<b>4.31%</b>	<b>4.71%</b>	<b>5.18%</b>	<b>7.4%</b>	<b>4.5</b>	<b>121.4</b>	<b>110.2</b>	<b>£18.44</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

4. Excludes developments and assets held for sale



# Disclaimer

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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 31 December 2022 unless otherwise stated.