Hammerson plc
(Incorporated in England and Wales)
(Company number 360632)
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('Hammerson' or 'the Company')

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This announcement contains inside information

Hammerson takes steps to increase covenant headroom, improve liquidity, and provides an update on rent collection rates

In response to pressures exacerbated by Covid-19, Hammerson is continuing to focus on reinforcing its balance sheet and announces today that it has increased the headroom to its most sensitive covenant and improved its liquidity position, enabling the Company to focus on continued delivery of its strategy. The Company also provides an update on rent collection rates following the recent UK quarter days.

- The Company has negotiated an amendment to the covenants on its existing private placement notes, which increases the headroom available on the unencumbered asset ratio covenant until 31 December 2021
- The Company has received approval for issuance of up to £300m under the Covid Corporate Financing Facility (CCFF), increasing maximum liquidity to £1.5bn
- To further enhance cash reserves an additional £300m has been drawn on its revolving credit facilities
- As at 29 June 2020, the Company had collected 73% of H1 2020 rent in the UK, 53% in France and 72% in Ireland
- At the same date, it has collected 16% of Q3 rent in the UK, while it is too early to comment on France and Ireland
- The Company is confident that collection rates will continue to improve materially in all regions as agreements are progressed with brands

Unencumbered asset ratio covenant headroom increased

The unencumbered asset ratio is a coverage ratio of unencumbered assets (assets without secured debt) to unsecured net debt. This financial covenant is only present within the private placement notes which totalled £689m at 31 December 2019 and is not within any other of Hammerson's debt arrangements. The majority of the Company's group debt is on an unsecured basis.

As at 31 December 2019, the unencumbered asset covenant was the most sensitive covenant to valuation changes. The 18 month amendment provides additional headroom to enable the Company to continue with its strategy, including undertaking cross-portfolio disposals to strengthen the Company's balance sheet.

The covenant states that unencumbered assets should not be less than 150% of net unsecured borrowing. As at 31 December 2019 it stood at 189%. The amendment relaxes this covenant to 125% for the next three test periods (June 2020, December 2020 and June 2021) and 140% at a new test date of 31 October 2021. The amendment period expires on 31 December 2021 unless terminated early by the Company.

Conditions of the amendment includes a temporary financial covenant, which requires the Company to maintain 12 months forward liquidity of over £100m[1]. The Company and private placement noteholders have also agreed that the Company will make an offer of pre-payment at par (i.e. not including a make-whole amount) for 30% of any applicable proceeds from disposals or capital raisings in excess of £50m as part of the paydown of debt. The amendment period can be terminated after 31 December 2020 if the unencumbered asset ratio is above 175% or 150% after 30 June 2021.

[1] £100m of cash and available facilities over and above the total amount of: debt maturities within one year, committed capital expenditure and declared dividends payable in cash within the covenant relief period. This covenant will be tested quarterly and only remain during the period of the amendment to 31 December 2021, unless terminated early by the Company.

The other pre-existing covenants on the private placement notes have significant headroom and therefore remain unchanged namely: gearing should not exceed 150%; secured borrowings should not exceed 50% of equity shareholders' funds; and interest cover should be not less than 1.25 times.

Liquidity position improved

Separately, Hammerson has drawn £300m during June under its total £1.2bn Revolving Credit Facilities to provide further surplus cash reserves. This is in addition to the £100m drawn which was announced on 25 March 2020. The Company currently has liquidity of £1.2bn, comprising £0.5bn of cash and £0.7bn of undrawn committed facilities.

In addition, Hammerson has applied to HM Treasury and the Bank of England's CCFFF and on 18 June 2020 received approval with a limit of £300m. Issuance under this scheme could therefore increase liquidity to £1.5bn.

Flagship openings and rent collection update

Covid-19 has had an unprecedented impact on many businesses. Following the closure of our flagships (except for essential retail) we have supported our occupiers, particularly smaller and independent brands that are less resilient to the temporary closures. All discussions with brands regarding rent deferrals, monthly payments, and waivers have been on a case-by-case basis, taking into account the business model, risk profile and ability of the occupier to pay, alongside the support made available by the relevant governments.

In the UK and Ireland, 73% and 72% of H1 rent has been collected respectively and the Company remains confident of material increases in Q2 and Q3 collection rates across all categories as negotiations are concluded with brands. A portfolio update will be given at the time of the half year results.

As at 29 June 2020, the rent collection rates across the portfolio were as follows:

	UK	France	Ireland
Q1	99%	94%	99%
Q2	47%	12%	47%
H1 total	**73%**	**53%**	**72%**
Q3	16%	n/a	n/a

UK

Across the UK portfolio, non-essential retail has been open in line with government guidelines since 15 June, with the exception of the Scottish assets which are expected to re-open on 13 July. F&B units will be able to open from 4 July in England and mid-July in Scotland, and 80% of stores which are eligible to trade in flagship destinations have reopened.

Of the rent due for the 28 February and 25 March UK quarter days (Q2), we have now received 47%. The balance (53%) remains in negotiation following the UK Governments recently published Covid-19 Code of Practice.

Of the rent due for 28 May and 25 June UK quarter days (Q3), we have received 16% as at the end of 29 June (3 days post quarter day).

France

In France, half our flagship destinations re-opened from 11-13 May, and all have been trading since 2 June. All brands and F&B operators within the flagships are now trading with the exception of the theatre and concert hall at Italie Deux, Paris. Of the rent due for the 1 April quarter day, 12% has been collected, with the outstanding balance still under discussion.

The French Government initially mandated that rent for April was deferred, with a Code of Conduct subsequently introduced allowing rent during the closure period to be deferred further to 30 September for retailers who require assistance.

With the French quarter day falling on 1 July, it is too early to give an update on Q3 collection rates.

Ireland

As with the UK, Irish centres have been fully open since 15 June. Of the rent due for the 1 April quarter day, 47% has been collected, with the balance in negotiation.

As with France, the Q3 quarter day falls on 1 July and it is therefore too early to comment on Q3 collection rates.

Premium Outlets

All premium outlets held by Hammerson's interests in Value Retail and VIA Outlets are now trading, in line with government directives in the relevant regions.

As these destinations are independently managed and financed, it is not possible to give an update on Q2 collections although is it likely the level of deferments and waivers will be higher than in the managed flagship portfolio. It is also not possible to quantify the impact on Q3 at this stage.

Hammerson has its primary listing on the London Stock Exchange and a secondary inward listing on the Johannesburg Stock Exchange.

Sponsor:
Investec Bank Limited

ENDS

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Notes to Editors

Hammerson

Hammerson create vibrant, continually evolving spaces, in and around thriving European cities, with a focus on flagship retail destinations and Premium Outlets. As of 31st December 2019, our portfolio of high-quality venues had a value of £8.3 billion and includes 21 flagship destinations in thriving cities, and investments in 20 premium outlet villages, through our partnership with Value Retail and the VIA Outlets joint venture. Key retail venues include, Bullring & Grand Central, Birmingham, Bicester Village, Oxfordshire, Freeport Lisboa Fashion Outlet, Lisbon, Dundrum Town Centre, Dublin; and Les Terrasses du Port, Marseille