Hammerson plc
(Incorporated in England and Wales)
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("Hammerson" or "the Company")

Thursday 6 August 2020

HAMMERSON plc – UNAUDITED HALF-YEAR 2020 RESULTS

Hammerson announces proposed rights issue combined with sale of VIA Outlets delivering £825m gross proceeds to recapitalise and further reposition the business

Prior to Covid-19, Hammerson was delivering against its strategy of reducing debt, progressing disposals, and making significant steps to shift the brand mix to better reflect customer demand. Covid-19 has had an adverse impact on the Group's operational and financial performance. The Board has taken the decision to undertake these significant transactions, enhancing Hammerson's strategic and financial flexibility, supporting the delivery of a more focused portfolio of flagship destinations and over the medium term its City Quarters development opportunities.

Half-year results

EPS & dividend: Adjusted EPS of 2.3p (-84% vs HY 2019). Expect to resume dividends in H2 2020 on completion of the transactions, initially in the form of scrip to maintain REIT compliance

NRI: Group performance of £87.3m (-27% on a like-for-like basis excluding premium outlets) impacted by Covid-19 forced closure of destinations, provisioning for reduced collections partly due to amended rental agreements and deferments, government intervention on rental payment and continued administrations. UK flagships -30.5%; France -30.0%; Ireland -16.9% and premium outlets -50.8%

Net assets & portfolio valuations: Equity shareholders' funds of £3.4bn (-23%), equivalent to EPRA Net Tangible Assets (NTA) per share of £4.58 (-21%). Group capital return of -11.7%; Flagships: UK -21.1%; France -9.4%; Ireland -9.9%; retail parks -13.3% and
premium outlets -5.0%

Net debt: As at 30 June, net debt £3bn; liquidity of £1.2bn; gearing 98%; unencumbered asset ratio of 1.54x and fully proportionally consolidated LTV 51%

Key transaction details

Rights issue and disposal update

- Proposed rights issue (the "Rights Issue")to raise £551.7m with the two largest shareholders - APG c.20% and Lighthouse Capital c.15% - of current shareholding committing to vote in favour of the Rights Issue and take up their rights
- Disposal of substantially all of the 50% interest in VIA Outlets (the "Disposal") to existing JV partner APG has exchanged for estimated gross cash proceeds of c.€301m (c.£274m)
- Both transactions are subject to shareholder approval. The Disposal to APG is conditional on the Rights Issue proceeding, and is expected to complete in Q4 2020

Strengthened balance sheet and improved liquidity

- 30 June 2020 on a pro forma basis (adjusted for the Rights Issue and Disposal) net debt reduced by a quarter to £2.2bn
- All credit metrics comfortably within covenants on a pro forma basis: gearing 57%; unencumbered asset ratio of 2.19x
- Pro forma fully proportionally consolidated LTV 42%
- Focus remains on further disposals to reduce debt over the medium term

Further details of the Rights Issue and the Disposal are set out in a separate announcement at www.hammersontransaction.com.

New UK leasing approach

- Introduction of a new leasing approach, based on experiences with brands; current leases in Europe; and the more collaborative approach of premium outlets. This new approach will include: more flexible leases; rebased rents at more affordable levels; indexation replacing the existing rent-review system; and an omnichannel top-up element

David Atkins, Chief Executive of Hammerson, said:

"Today we have announced a series of transactions to recapitalise the business and reduce leverage by a quarter. This will help us to deal with these unprecedented conditions while enabling us to reposition Hammerson further. Looking forward, we will continue to dispose of assets and recycle capital from across the portfolio as we create a business focused on flagship destinations and mixed-use City Quarters over the medium term.

"The extraordinary disruption caused by Covid-19 on the retail property sector, the economy and society as a whole is reflected in these half year results, however, in recent weeks we have seen an encouraging increase in footfall as confidence begins to return amongst visitors to our flagship destinations.

"The pandemic has exacerbated structural shifts in retail, exerting further pressure on both property owners and brands, and provided further evidence that the UK's historic leasing model has served its time. It is outdated, inflexible and needs to change. We are introducing a new UK leasing approach - one that is simpler, reflects an omnichannel retail environment and rewards positive performance on both sides. It will deliver a sustainable, growing income stream and we are in initial discussions with retailers and anticipate introducing the first of the new leases later this year."

Stephen Delport, CEO of Lighthouse, said:

"Retail has been hit hard by the structural changes taking place in the sector which have been made worse by the impact of Covid-19. However, we have a firm belief, shared by many retailers, that best in class destinations will remain a key part of how and where consumers continue to spend their money. This is why we are supporting the transactions announced today."

Actions taken during Covid-19

Covenant headroom: Amendment negotiated to the covenants on existing private placement notes until 31 December 2021

Revolving Credit Facility: £400m drawn under the £1.2bn Revolving Credit Facility to provide surplus cash reserves, as at 30 June total liquidity stands at £1.2bn

CCFF: Approval from HM Treasury and the Bank of England's Covid Corporate Financing Facility for up to £300m; £75m has been issued in July and is being held in cash

Service charge savings: To support brands, savings generated in Q2 of 40% in the UK and Ireland and savings of 27% in H1 in France

Admin cost savings: Group admin costs reduced by 6.3% during H1 across property, administration and service charge savings

Disposals: In April, Orion European Real Estate Fund V announced that it did not intend to complete on the sale of a portfolio of seven retail parks, despite exchanging unconditional contracts on 20 February 2020. The £21 million deposit from the transaction was retained. Today the disposal of substantially all of 50% interest in VIA Outlets to existing JV partner APG has exchanged for estimated net cash proceeds of c.£269m and completion is expected in Q4 2020

Suspension of dividends: In March, during lockdown, the Board decided it was not appropriate to recommend the final dividend of 14.8 pence per share for the financial year ended 31 December 2019

Remuneration: The Board, including Executive Directors agreed to a 20% reduction in pay from April 2020-June 2020

Half year operational overview

Occupancy: Continued high level of Group occupancy at 94% (FY 2019: 97%); UK flagships 93%; French flagships 94%; Ireland flagships 96%; Premium outlets 93%

Rent collection: As at 31 July 2020, 72% of H1 2020 rent had been collected for the Group, with 34% of Q3 rent due collected. Average rental waiver of 1.1 months and deferral of 0.8 months during Covid-19 closures

Tenant restructuring: During the six months to the 30 June 2020, 36 of the Group's tenants have entered administration or undertaken a CVA affecting 88 units (out of 2,886 units across the Group) of which 49 continue to trade

Leasing: £6.5m of new income secured across the Group (-29% vs HY 2019). Key lease agreements during the period include Brown Thomas at Dundrum to replace House of Fraser, Haidilao at Bullring, taking its first restaurant outside of London and Slim Chickens at Westquay

Footfall: All three territories outperformed national footfall benchmarks in 2019 with continued outperformance in 2020, in the lead up to national lockdowns. Following reopening there has been a strong recovery in France and Ireland flagships and retail parks with footfall -18% vs July 2019 and all are currently in line with or outperforming national benchmarks. With UK flagships more weighted towards city centre venues, which are public transport and workforce orientated, initial reopening footfall was subdued (-73% for w/c 14 June). Strong sustained recovery is underway: +22% point improvement for July to -51%

City Quarters: Continued progress with Section 106 planning agreement signed for Martineau Galleries, Birmingham; architects appointed for Dublin Central scheme and planning committee date set for The Goodsyard, London in Q4 2020

Net Positive: Continued commitment to Net Positive strategy. Installation of photovoltaic arrays at Cabot Circus, Bristol and Les Terrasses du Port, Marseille providing clean electricity on-site. Covid-19 closure of destinations significantly reduced utility demand, contributing to a first half reduction in energy demand of 21% and carbon emissions of 27%

Board changes, as previously announced

Chair of the Board: Robert Noel to succeed David Tyler as Non-Executive Chair. He will join the Board and take over the position with effect from a date to be confirmed but no later than 1 October 2020

Non-Executive Director appointment: Desmond (Des) de Beer joined the Board in June as a non-executive director. He is a non-executive director of Lighthouse Capital, a shareholder in the Company

CEO succession planning: After nearly 11 years in the role, David Atkins will step down as chief executive. He will remain in position until spring 2021 at the latest and the Board is currently conducting a search for his successor

Half-year 2020 results at a glance

Six months ended:	30 June 2020	30 June 2019	Change
Net rental income (1)	£87.3m	£156.6m	–44%
Adjusted profit (2)	£17.7m	£107.4m	–84%
Adjusted earnings per share (2)	2.3p	14.0p	–84%
IFRS loss (including non-cash valuation changes) (3)	£(1,088)m	£(320)m	
Basic loss per share (3)	(142.2)p	(41.8)p	
Interim dividend per share	n/a	11.1p	
As at:	**30 June 2020**	**31 December 2019**	
Portfolio value (1)	£7,692m	£8,327m	–8%
Equity shareholders' funds	£3,368m	£4,377m	–23%
EPRA net tangible asset (NTA) value per share (2)	£4.58	£5.82	–21%
Gearing (4)	98%	71%	+27p.p.
Loan to value - headline (4)	46%	38%	+8p.p.
Loan to value - fully proportionally consolidated (4)	51%	45%	+6p.p.

(1) Proportionally consolidated, excluding premium outlets. See page 26 of the Financial review for a description of the presentation of financial information.

(2) Calculations for adjusted and EPRA figures are shown in note 8 to the financial statements on pages 65 to 69.

(3) Attributable to equity shareholders, includes portfolio non-cash revaluation losses of £939 million, including premium outlets (30 June 2019: £423 million).

(4) See Tables 21 and 20 on page 91 for supporting calculations for gearing and loan to value.

Results presentation today:

The results presentation will be broadcast via webcast at 9.30am BST today, Thursday 6 August 2020. The link to the webcast is as follows: https://webcasting.brrmedia.co.uk/broadcast/5f2a805965023062edd7e915

At the end of the presentation you will be able to participate in a question and answer session by submitting your questions on the webcast. Just prior to the event starting the accompanying slides will be made available at www.hammersontransaction.com. A playback of the webcast will also be available at www.hammersontransaction.com.

The results presentation is not intended for persons located in the United States and no participants in press meetings conducted by telephone, video conferencing or webcast, or recipients of written press-related materials released in conjunction with such press meetings, may be physically located in the United States. The securities offered will not be or have not been registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirement of the Securities Act

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Extract from the unaudited 2020 half year results:

This short form announcement is the responsibility of the Directors of the Company. The information disclosed is only a summary of the information in the full announcement and does not contain full or complete details. The full unaudited 2020 half year results announcement should be considered for any investment decisions. The full unaudited 2020 half year results announcement for Hammerson plc is available for viewing at https://senspdf.jse.co.za/documents/2020/jse/isse/HMNE/HY2020.pdf and on the Company's website at www.hammerson.com/investors. The full unaudited 2020 half year results announcement is also available for inspection at the Company's registered office and the offices of our sponsor during normal business hours and is available at no charge. Alternatively, copies of the full announcement may be requested from the Company's investor relations department by emailing info@hammerson.com.

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