

# Helical Bar plc



**Analysts Presentation  
25 November 2010**

# Trading Update and Trading Strategy



- **30 September 2010 NAV of 261p, down from 272p in March 2010**
  - 3.4% uplift on investment portfolio
  - £10.2m write down mainly trading and development assets being priced for disposal
  - £13.3m (£10.1m net of tax) write off of minority holding in Quotient (written down to nil)
- **Investment Portfolio performing strongly, outperforming IPD<sup>1</sup>**
- **Objective is to recover equity from assets with limited potential (especially non-income producing)**
  - Helical has sold c.£100m of trading and development stock since April 2009 (of which c.£80m non-income producing)
  - Of this, £61m has been since March 2010 year end (of which £45m non-income producing)
  - We expect a further £44m will be sold by March 2011
- **This would leave legacy trading and development assets of c.£141m**

**Our key objective is to recycle capital into new and compelling investment and development stock. This will be the basis of our growth for the next cycle**

<sup>1</sup> IPD Monthly index, All Property capital growth of 2.4% in the six months to 30 September 2010

# 30 September 2010 Financials



## Summary Profit and Loss

	Half Year To 30 September 2010	Half Year To 30 September 2009	Year To 31 March 2010
	£m	£m	£m
Net rental income (including share of joint ventures)	8.4	8.6	14.9
Development property loss	(9.2)	(3.7)	(1.3)
Trading property loss	(0.4)	-	-
Gain/(loss) on sale and revaluation of investment properties (including share of joint ventures)	9.7	(4.4)	10.2
Impairment of available-for-sale investments	(1.8)	-	-
Administration costs	(3.7)	(4.0)	(8.7)
Net finance costs (including share of joint ventures)	(4.9)	(4.2)	(7.6)
Foreign exchange losses	(1.5)	(1.3)	(1.1)
Sundry net income	0.2	0.2	1.5
	<hr/>	<hr/>	<hr/>
(Loss)/profit on ordinary activities	(3.2)	(8.8)	7.9
	=====	=====	=====
Impairment of available-for-sale investments			
- income statement	(1.8)		
- statement of comprehensive income (net of tax)	(8.3)		
	<hr/>		
	(10.1)		
	=====		

# 30 September 2010 Financials



## Summary Balance Sheet

£000	30 September 2010 £m	31 March 2010 £m
Investment properties	255	220
Land, developments and trading properties	155	183
Investment in joint ventures	25	26
Cash and cash equivalents	31	40
Borrowings	(240)	(243)
Derivative financial instruments	(10)	(10)
Other net assets	14	27
<b>Net assets</b>	<b>230</b>	<b>243</b>
<b>Diluted EPRA net assets</b>	<b>276</b>	<b>289</b>
Number of shares (000)	106.1	106.1
<b>Diluted EPRA net asset value per share</b>	<b>261p</b>	<b>272p</b>

# 30 September 2010 Financials



	30 September 2010	31 March 2010
Net debt	£209m	£203m
Net gearing	91%	84%
Property portfolio at valuation	£443m	£435m
Ratio of net borrowing for property portfolio	47%	47%

	24 November 2010	31 March 2010
Hedging - Fixed rate borrowing at average 6%	£87m	£93m
- Interest rate caps at 6%	£37m	£34m
- Interest rate floor at 4.5%	£30m	£30m

# Investment Portfolio



- Valuation increase of 3.4% in six months to September, including capex, sales and purchases
- Compared to IPD Monthly Index of 2.4% over the same period

	% of Portfolio (our share)	Valuation Increase	Initial Yield	Reversionary Yield	Yield on letting voids	Equivalent Yield (AiA)	Equivalent Yield (True QiA)
	%	%	%	%	%	%	%
Industrial	17	3.7	7.5	9.5	9.5	8.8	9.3
London Offices	35	4.0	5.9	7.9	8.0	7.5	7.8
South East Offices	6	10.9	6.4	8.7	8.1	8.6	9.1
Retail	42	1.7	6.6	8.0	7.9	7.6	7.9
<b>Total</b>	<b>100</b>	<b>3.4</b>	<b>6.5</b>	<b>8.2</b>	<b>8.2</b>	<b>7.8</b>	<b>8.2</b>

	Rent	Change	No. of leases
Rent lost at break/expiry	-£560,000	-£560,000	12
Leases renewed	£515,000	£145,000	20
Fixed uplifts	£40,000	£40,000	12
New lettings	£500,000*	£500,000	20
		<hr/>	
		£125,000	

\* Additional £260,000 pa to come in fixed increases from Urban Outfitters in Cardiff over next three years

**50% of the investment portfolio (£139m, our share) in three assets with good prospects, Cardiff, Shepherds Building and Clyde**

## The Morgans, Cardiff (£49.75m)

- Prime retail asset on the Hayes opposite St David's 2 (opened October 2009), let to White Stuff, Moss Bros, Schoon, TK Maxx
- All refurbishment completed
- New lettings to Urban Outfitters, Joules and Dr Martens have increased rental values from £135 psf to £171 psf and believe scope for rents to increase further from here
- Opportunities for asset management and rental growth . Current contracted rent of £3.1m vs. ERV of £4.1m



## Shepherds Building, W14 (£43.75m)

- 151,000 sq ft refurbished office south of Shepherds Bush Green and Westfield shopping centre
- Following recent lettings now 100% let, mainly to media related tenants on average rents of £22.70 psf
- Capital value of £290 psf
- Ongoing tenant demand is strong with recent lettings at £25-30 psf depending on size
- Good prospects for rental growth over next 3-5 years





- **It's a Three Tier market:**
  - 1. Prime/trophy “institutional” assets – competitive bidding, significant money-flows, limited ability to add value. Helical develops and sells into this market**
  - 2. Well located, good quality institutional assets, but in need of value add initiatives and/or capex**
  - 3. Weak secondary/tertiary assets, danger of dramatic falls in rents and increasing voids. We are avoiding these assets**
- **We are being offered numerous portfolios of tertiary assets at double digit yields and prices below replacement cost. We are cautious as rents are unsustainable**
- **Focusing on the second tier of the market where prices have adjusted with yields ranging between 7.5-10%**

- Targeting multi-let, good quality assets, shopping centres, retail parks, industrial estates and inner-London offices, at yields of 7.5-10%
- Avoiding provincial offices and large distribution warehouses
- Portfolios offering opportunities for medium term trading profits (e.g. as with our recent portfolio acquisition), mainly higher yielding retail or industrial assets
- Rare opportunity to buy with substantial surplus of rental income over cost of debt – historically these market windows do not last long
- Our banks are completely supportive of backing us on new acquisitions, a big competitive advantage for us
- Focus on careful, disciplined stock picking of active asset management opportunities
  - temporarily below the institutional radar
  - out of reach of buyers who are unable to raise significant debt
- Will buy from banks, but more likely from over-g geared private propco's and from institutions and larger REITs looking to rebalance their portfolios

## Clyde Shopping Centre Glasgow

- Acquired for £68m from AXA/CIS (8.3% NIY) in 60:40 JV with Prime Commercial Properties (Helical 60% equity i.e. £18m)
- Current rent £7.9m pa showing cash on cash return of c.13% pa
- ERV of vacant space of £1.4mpa. Cash on cash return to rise to 15.5% pa if 50% of the void is let
- Value of £75.5m as at September 2010 (+11%), 7.9% net yield
- Considerable potential upside from lettings and further yield shift



## F3 Portfolio

- Acquired for £46.5m from ING/US\$ using only £7.8m of equity
- 9 assets, of which 6 multi let industrial estates, 1 single let industrial estate and 2 offices
- 2 assets sold for £15.8m pre completion, leaving 7 assets yielding 10.5 % net and showing cash on cash return of 35% pa
- 2 further assets sold since completion for a profit of £2.7m. Valuation gains on retained assets of £4.2m
- Remaining portfolio yielding 11% on cost, showing cash on cash return of 44%
- Value of £28.8m as at September 2010
- One further asset currently under offer



# Sales Since 31/03/2010

- Total sales of £80 million of which:
- £45 million of non income producing stock including:
  - Chancerygate units - £17 million
  - Fieldgate Street - £16.5 million
  - Liphook units - £10.2 million
- £35 million of investment/trading property with strategic reasons to sell including:
  - Colchester and West Drayton - £15.8 million
  - Eastcheap - £9.5 million - quick profit
  - Paignton - £5.8 million - covenant risk
- Continued focus on selling non income producing assets outside London or strategic sells:
  - £16.7 million under offer
  - £13 million of Chancerygate portfolio still to go (of which £6.2m is under offer)
  - One F3 property under offer for £5.4 million
  - Liphook - £18 million to go

# How we invest our capital (at 30/09/10)



	London Offices	Provincial Offices	In Town Retail	Out of Town Retail	Industrial	Change of Use	Retirement Villages	TOTAL	March 2010
Investment	21%	4%	23%	3%	10%	-	1%	62%	56%
Trading and Development	1%	3%	2%	11%	6%	2%	13%	38%	44%
<b>TOTAL</b>	<b>22%</b>	<b>7%</b>	<b>25%</b>	<b>14%</b>	<b>16%</b>	<b>2%</b>	<b>14%</b>	<b>100%</b>	<b>100%</b>

**Note: Excludes the surplus arising from the directors' valuation of trading and development stock.**

# Update on Development Projects (1)

## Mitre Square, London EC3

- Planning application submitted for a prime office development of 275,000 sq ft with permission anticipated next month
- Development could start from early 2011
- Helical has currently £1.5m invested (max exposure of £4m) with the potential for substantial upside subject to pre-lets and finance



## 200 Aldersgate, London EC1

- Asset and development management agreement with Deutsche Pfandbriefbank for a 360,000 sq ft office refurbishment
- Vertical office village concept
- Building works have been completed and the marketing of the offices will commence in January 2011
- Apart from a small annual fee, Helical's upside is based entirely upon the sale price achieved following letting
- The market has moved ahead since the agreement was signed



# Update on Development Projects (2)

## Wroclaw, Poland

- Retail park of 9,600 sqm
- Completed and fully let December 2008
- Yield on cost in excess of 8%
- Property will be marketed once TK Maxx has taken the Halford's unit



## Turawa, Poland

- Retail park of 41,000 sqm
- Anchors include Carrefour Hypermarket and Praktiker DIY
- Other tenants include Sephora, Takko and Deichmann
- Scheme is forward funded and sold to Standard Life (6.4% yield when fully let)
- Construction is well under way and completion is expected in Spring 2011
- Good letting progress being made, expected to be fully let by end of June 2011



## Europe Centralna, Gliwice, Poland

- Retail park and mall 67,000 sqm
- Anchor tenants include Tesco, Castorama and Media Expert. Other tenants include H&M and Rossmann
- New motorway road network now completed, construction on site due to commence Q2 2011, completion Q2 2012
- €72m construction loan has been signed with Aareal which can be drawn down once over 50% NOI pre-lets achieved (currently 44% with strong tenant interest)
- Terms agreed with a fund to sell a 50% interest, leaving Helical with a 50% share for 10% equity (c.€3-4m)



## Thameling

- Joint venture with Thameling Group to develop pre-let (pre-sold) warehouse and distribution buildings in Central Europe – Poland, Czech Republic, and Slovakia
- Thameling is run by Hans van Luijken and Piota Michalski who are ex Parkridge and Prologis





# Medium Term Development Prospects

## Townmead Road, Fulham Wharf SW6

- Helical Bar appointed development Manager by Sainsbury's plc to secure planning on a purchased site adjoining their Fulham store
- Application submitted for a c.100,000 sq ft food store together with 472 residential units and car parking (committee date expected Jan/Feb 2011)



## King Street, Hammersmith W6

- 50/50 JV with Grainger has a development agreement with Hammersmith & Fulham Council
- Planning application submitted in November 2010 for c.100,000 sq ft of new Council offices, 320 new private homes and a food store with retail/restaurants around a new public square
- The Development Agreement is subject to the acquisition of third party land interests and planning, viability and financing



## White City W12

- White City Opportunity Area Planning Framework out for consultation early 2011 proposing a major mixed used scheme
- Architect and professional team being appointed to pursue a planning application during 2011 for a major mixed scheme



