

Town Centre Securities

A wealth of opportunities

Initiation of coverage

Real estate

17 April 2018

Price 288p
Market cap £153m

Net debt (£m) at 31 December 2017 (excluding finance leases) 181.0
Shares in issue 53.2m
Free float (excludes Ziff family concert party interest) 48%
Code TOWN
Primary exchange LSE
Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	5.9	(1.4)	0.0
Rel (local)	5.5	5.8	1.1
52-week high/low	318.75p		270.00p

Business description

Town Centre Securities (TCS) is a UK Real Estate Investment Trust (REIT) operating across the UK, but with a regional focus, primarily in Leeds, Manchester, Scotland and (mainly suburban) London. It also has a car parking operation (CitiPark). The investment portfolio is intensively managed for income and capital growth.

Next events

Trading update Exp. July 2018
Full year results 26 September 2018

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Town Centre Securities (TCS) provides mainly regional commercial property exposure, with a focus on the fast growing cities of Leeds and Manchester, where management has a deep knowledge of the markets. TCS is a family-run business with a strong income focus and a 57-year record of increased or maintained DPS. It employs intensive asset management and capital recycling to drive income growth and capital returns. Management has provided details of a substantial pipeline of continuing development opportunities, with the potential to add materially to our forecast earnings and NAV over time.

Year end	Net revenue (£m)	EPRA earnings* (£m)	EPRA EPS* (p)	EPRA NAV/share* (p)	DPS (p)	P/NAV (x)	Yield (%)
06/16	18.6	6.6	12.4	357	11.0	0.81	3.8
06/17	19.4	7.0	13.2	359	11.5	0.80	4.0
06/18e	19.7	6.9	13.1	387	11.5	0.74	4.0
06/19e	20.0	7.3	13.7	399	12.2	0.72	4.2
06/20e	20.6	7.9	14.9	412	12.7	0.70	4.4

Note: *EPRA EPS is adjusted to exclude revaluation movements, disposal gains/(losses) on investment property and exceptional items.

Positive developments in H118

H118 (the six months ended 31 December 2017) was a period of significant change within the portfolio, including strategic disposals and continuing business development, but the underlying trends continued to be positive. With occupancy remaining high (99%) and like-for-like rents advancing (by 2.2%), TCS was able to limit the negative impact of disposals on near-term property income and earnings, before the benefits of development completions are fully felt. The car park operation, CitiPark (c 25% of recurring operating profit) grew further. H118 NAV per share grew 4.5% on end-FY17 to 375p, supported by valuation gains on completed and development assets. Including DPS paid, the H118 NAV total return was 6.6%, with an unchanged DPS of 3.25p declared for H118.

Unlocking value from a strong development pipeline

Recognising that property values and income can reach levels where the potential for future returns becomes muted, TCS has been very active in the past five years in recycling capital from mature/non-core assets to self-fund over £85m of investment. Opportunities with a developed value of up to £600m remain, providing significant potential to lift earnings and NAV well beyond our forecasts over time. Management is exploring how it may fund this investment in growth. Capital recycling and joint ventures are likely to contribute, but with an LTV of 47% material new debt funding is unlikely. Additional equity is an option but may require family shareholders to re-assess their position.

Strong total returns yet high discount to NAV

NAV total return was a compound 8.8% pa in the five years to end-FY17, and we forecast 7.3% in the three years to end-FY21. Despite continuing investment to support long-term total return, the dividend yield is a fully covered 4.0%, yet the shares trade at a significant 26% discount to FY18e EPRA NAV.

Investment summary

Company description: Regional growth options

Town Centre Securities (TCS) provides exposure to mixed use regional commercial property, primarily in the fast growing cities of Leeds and Manchester, where management is able to exploit its strong and detailed knowledge of the local markets. Compared with central London, regional commercial property is late cycle, with growth in occupier demand outstripping new supply in many areas and leading to tighter markets and growing rents. Business relocation from London provides structural support. TCS is a family run business with strong income focus and a 57-year record of increased or maintained DPS, with intensive assets management and capital recycling to drive income growth and capital returns. Management has provided details of a substantial pipeline of continuing development opportunities, with the potential to add materially to our forecast earnings and NAV over time.

Valuation: Attractive yield and discount to NAV

TCS offers a fully covered prospective dividend yield of 4.0%. The yield is slightly below the sector average but could be higher if it were not for continuing investment in and redevelopment of the portfolio to enhance longer-term total returns. NAV total return was a compound 8.8% pa in the five years to end-FY17, and we forecast 7.3% in the three years to end-FY21. Given its strong record of dividend distributions, the P/NAV ratio of 0.74x attached to TCS shares does not appear to be factoring in a significant recognition of its capital return potential, which we expect will lift NAV and total return over the forecast period and beyond.

Financials: Intensive asset management to continue

TCS has a strong record of occupancy and we expect this to continue, with modest rental growth. The car park operation is also expected to show steady underlying growth. We assume completion of the existing (Burlington House) development and three additional developments by end-FY21, adding c £9m (or 16.7p) to NAV and £2.2m (TCS share) or c 4.1p to income, dropping through to the bottom line. We have assumed additional debt funding of c £32m in our forecasts, although additional capital recycling is more likely given the current 47% LTV. Further assets have been earmarked for disposal (we believe at least £20m in value), with the potential to reduce our forecast end-FY21 LTV to 46.3% from the forecast 48.7%, with a modest impact on FY21 earnings (c 5%) such that forecast DPS remains fully covered. Allowing for our development assumptions, a pipeline of value-creating potential projects with an estimated value of c £500m gross (ie before potential JV interests) will remain. Management is exploring how it may fund this investment in growth. Additional equity is an option but may require family shareholders to re-assess their position.

Sensitivities: Mainly macro-economic

The main sensitivities, and the company specific factors that may help to mitigate these, are listed below and discussed on page 17:

- **Sector risks:** the commercial property market has historically been cyclical, exhibiting substantial swings in valuation, although income returns have proved more stable.
- **Development risks:** property development activity has its own risks and uncertainties, including uncertainty about the timing and nature of planning consents, construction risks, and often long lead times to completion and occupation.
- **Macro risks:** economic growth feeds directly into occupational demand while inflation may impact interest rates, affecting funding costs and property valuation yields.

Interim results in brief

Before discussing the TCS investment case at length, for investors who are already familiar with the company we first provide a brief overview of the recent interim results for the six months ended 31 December 2017 (H118). This was a period of significant change within the portfolio, including strategic disposals and continuing business development, but the underlying trends continued to be positive. With occupancy remaining high (99%) and like-for-like rents advancing, TCS was able to limit the negative effect of disposals on near-term property income and earnings, while the car park operation, CitiPark, grew further. Valuation gains on completed and development assets lifted NAV per share and the DPS was maintained.

Exhibit 1: Summary of key financials

£m unless stated	H118	H117	% change	FY17
Gross revenue	15.3	13.7	12.0%	27.5
Property expenses	(5.4)	(4.0)	36.5%	(8.1)
Net revenue	9.9	9.7	1.9%	19.4
Other income/JV profit	0.8	0.9	-12.6%	1.6
Administrative expenses	(2.8)	(2.6)	6.4%	(6.3)
Finance costs	(3.9)	(3.8)	2.5%	(7.6)
EPRA earnings	4.0	4.2	-4.6%	7.0
Net result from property portfolio	8.4	(1.6)		(.3)
IFRS PBT	12.4	2.6		6.7
EPRA EPS (p)	7.6	8.0	-4.6%	13.2
EPRA NAV (p)	375	355	5.7%	359
DPS (p)	3.25	3.25	0.0%	11.50

Source: Town Centre Securities

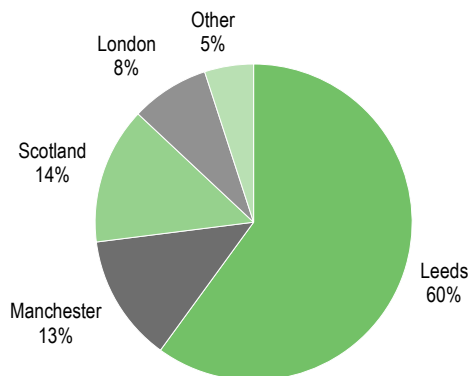
- Gross revenue increased by 12% to £15.3m compared with £13.7m in H117 and £13.8m in H217. The H117 increase reflects c 5% growth at CitiPark and a first time contribution of £1.5m from the ibis Styles hotel, owned and managed by TCS, which opened in April 2017. Although like-for-like rents increased by 2.2%, investment property rental income was a little lower, with the impact of strategic disposals slightly exceeding the positive effect from development completions.
- Operating costs related to the ibis Styles hotel (£1.25m) accounted for the majority of the increase in property expenses. The underlying 6% increase, concentrated within CitiPark, reflects ongoing investment in the business.
- Reflecting the strategic disposals and continuing investment EPRA earnings were 4.6% lower at £4.0m compared with £4.2m in H117, but increased from £3.8m in H217. EPRA EPS was reduced by a similar amount to 7.6p.
- Net property revaluation gains of £8.4m included a 0.3% like-for-like gain on completed assets, including gains at both of TCS's Leeds hotels and the Merrion Centre and a substantial (c 30%) gain in the valuation of development assets, primarily the Piccadilly Basin development site and reflecting development and planning progress.
- EPRA NAV per share gained 5.7% to 375p compared with H117, an increase of 4.5% from end-FY17.
- As part of the capital recycling programme, five mature properties have been sold over the past c 12 months, raising £25m in proceeds for continued investment in the group's development programme.
- The interim dividend per share was unchanged at 3.25p and will be paid on 22 June 2018 to shareholders registered on 25 May 2018.
- Gearing reduced during the period with the loan-to-value ratio (LTV) falling to 47% from 50% at end-FY17.

A wealth of regional opportunities

Town Centre Securities (TCS) is a UK Real Estate Investment Trust (REIT) operating across the UK, but with a regional focus, primarily in Leeds, Manchester, Scotland and (mainly suburban) London. It owns a mixed-use portfolio, valued at c £384m, that includes more than 900,000 sq ft of retail space, more than 360,000 sq ft of mostly prime office space, and includes key development sites in Leeds and Manchester. It also has a car parking operation (CitiPark) that provides a growing and complementary revenue and earnings stream while monetising what would in some cases be empty, non-income producing development assets. The investment portfolio is intensively managed, exploiting a strong and detailed knowledge of the communities in which the company operates to generate increasing levels of income, long-term dividend growth and good levels of NAV total return. Over its 57-year history, TCS has established an unbroken record of increased or maintained dividend payments.

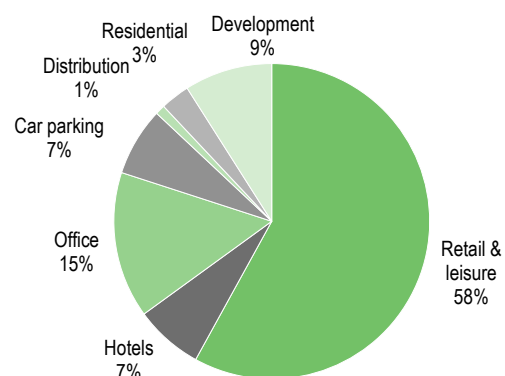
The current developed portfolio primarily consists of commercial assets, particularly retail and leisure assets and, to a lesser extent, offices, but also includes some associated residential assets. TCS has been investing to diversify the sector exposure of the portfolio and current and planned development projects will see the share of low volatility residential assets in particular increase further. The retail and leisure share of the portfolio has reduced from c 78% five years ago to 58% at end-H118. Management recognises the challenges that many bricks and mortar retailers have experienced in the face of internet competition, but firmly believes that physical retail offers will continue to play an important market role. The main retail assets are within the Merrion Centre in Leeds where TCS has invested extensively in response to the changing retail environment, creating a mixed-use destination where visitors can indulge in a broader range of activities than simply shopping.

Exhibit 2: Portfolio by location at 31 December 2017



Source: Town Centre Securities

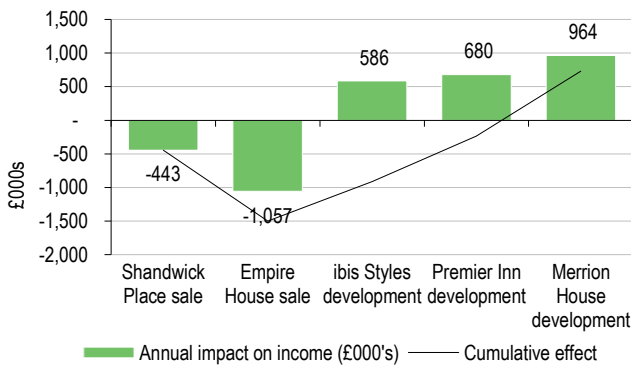
Exhibit 3: Portfolio by sector at 31 December 2017



Source: Town Centre Securities

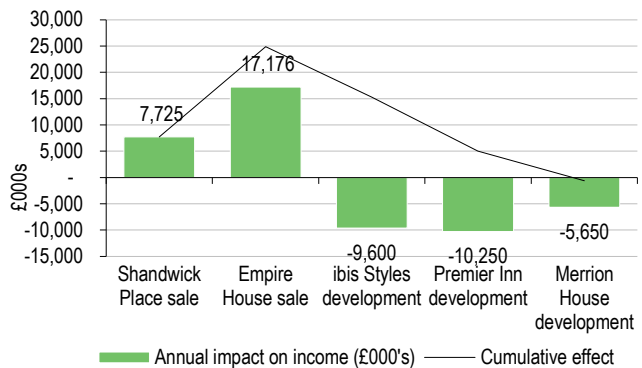
Recognising that property values and income can reach levels where the potential for future returns becomes muted, especially in a lower growth environment, TCS has been very active in recent years in recycling capital into new opportunities, particularly creating and improving investment properties within the existing estate. It has self-funded over £85m of investment in the past five years and in the 12 months ended 31 December 2017, disposed of five properties, all at or above valuation, generating proceeds of more than £25m for investment in its development pipeline. The timing of sales and investment will negatively impact FY18 rental income but on an annualised basis at completion management expects a net £0.7m increase. Exhibits 4 and 5 illustrate the impact of the key sales over this period and the effect of reinvestment.

Exhibit 4: Capital recycling – income effect



Source: Town Centre Securities. Note: Income effect of sales and reinvestment, 12 months to 31 December 2017.

Exhibit 5: Capital recycling – capital effect



Source: Town Centre Securities. Note: Capital effect of sales and reinvestment, 12 months to 31 December 2017.

During FY17, TCS successfully completed the development of two hotels in Leeds; the Premier Inn, let on a 25-year lease to Whitbread, and the ibis Styles hotel that it is running under an external management contract. The Merrion House office development was completed in January 2018.

With the interim results, TCS has provided details of its medium-term development pipeline, comprising 16 potential projects across residential, commercial, car park and retail, with a gross development value (GDV) estimated at up to £600m (Exhibit 10), although a number of the projects are likely to include joint venture partners. At an assumed yield of c 5%, the development pipeline would represent rental income of almost £30m and would further diversify the sources of rental income. The pace of investment in these growth opportunities will in part depend on available funding and we expect capital recycling out of mature assets will to continue to play a part. Including a residential project currently on-site, our forecasts include four development projects for which we expect TCS's share of the GDV to be c £55m. Management is also exploring alternative sources of capital that would enable it to more quickly address the broader pipeline.

The net LTV was 47% at 31 December 2017, with fixed rate debt accounting for £106.0m of the total net debt of £185.5m, mitigating interest rate risk. With a weighted average cost of debt of 3.9%, interest cover in H118 increased to 2.0x.

Management and ownership

TCS was founded in 1959 by Arnold Ziff, father of the current chief executive and chairman, Edward Ziff, OBE. The company listed on the London Stock Exchange soon afterwards, in 1960, and became a UK REIT in 2007. Members of the Ziff family continue to have a substantial interest in the company, strongly aligning the interests of management and owners and contributing to the company's long-term strategic horizon, focus on dividend payments and intensive asset management of existing assets. A relationship agreement exists between the Ziff family concert party with a combined shareholding of c 52%, and whose principal shareholders are Edward, his brother, Michael Ziff and sister, Ann.

The executive team consists of the chairman and chief executive (Edward Ziff), the group finance director (Mark Dilley), the property director (Richard Lewis) and the managing director for CitiPark (Ben Ziff, Edward's son). Biographies can be found on page 19. The board of directors consists of eight members, five of whom have been appointed within the past three years. In addition to the executive members, the four non-executive members are Michael Ziff (appointed 2004), Ian Marcus (2014), Paul Huberman (2014), and Jeremy Collins (2018).

Portfolio

The diversity of the portfolio by sector and geography is shown in Exhibits 2 and 3 above. Exhibit 6 shows a summary of the total TCS property portfolio as presented by the company, including the car parking assets, as at end-H118. Compared with the balance sheet presentation of the assets, the table excludes non-income generating joint ventures and some other accounting adjustments, including for finance leases. Completed investment properties represent 84% of the total by value (£322.7m) and 87% by expected rental value, or ERV (£22.1m), while development sites generating car parking income, and car park assets represent 16% by value (£61.6m) and 13% by ERV (£2.2m). The Merion car park is reported within the car parking division although its value (£26.4m) and ERV (£1.8m) are included within the investment portfolio in Exhibit 6. ERV was £3m (13%) ahead of the passing rent at end-H118, with a substantial part of the difference (c £1m) represented by the uplift to the contracted rent upon completion of an office development at the Merrion Centre that completed just after the period end (see below). The passing rent and ERV of the car parking assets represents the current net revenue. At 30 June 2017, 46% of leases had a remaining term of up to five years, 28% were between five and 10 years, and 26% were above 10 years. The completion of Merrion House and the inception of a new 25-year lease to Leeds County Council will have had the impact of increasing average unexpired lease term.

Exhibit 6: Portfolio summary							
	Passing rent (£m)	ERV (£m)	ERV (%)	Value (£m)	Value (%)	Initial yield (%)	Reversionary yield (%)
Retail & Leisure	3.7	4.4	17%	72.6	19%	4.9%	5.7%
Merrion Centre (exc office)	7.5	7.8	30%	99.5	26%	7.1%	7.4%
Offices	2.4	3.8	15%	57.1	15%	4.0%	6.3%
Hotel	1.4	1.6		26.7	7%	5.0%	5.5%
Out of town retail	3.0	3.7	14%	50.4	13%	5.6%	6.9%
Distribution	0.4	0.4	2%	5.8	2%	6.5%	6.4%
Residential	0.6	0.6	2%	10.7	3%	5.3%	5.4%
Total investment properties	19.1	22.1	80%	322.7	84%	5.6%	6.5%
Development property (car park income)	1.9	1.9	7%	35.7	9%		
Car parks	1.3	1.3	5%	25.9	7%		
Total portfolio	22.3	25.3	93%	384.2	100%		

Source: Company data

The basis for the divisional reporting is:

- **Property investment** gross revenue is based off the £19.1m of total investment property passing rent shown in Exhibit 6, adjusted for the Merrion Centre car park (within the car parking division) and the ibis Styles Hotel within the Merrion Centre (reported separately as hotel operation because of its materially different cost structure).
- **Hotel operation**, or the ibis Styles Hotel, where passing rent and ERV represents net revenue.
- **Car parking**, comprising the development sites utilised for car parking, the car park assets, and the Merrion Centre car park.

The Merrion Centre in Leeds is a key asset for TCS

The single largest asset, representing 47% of the portfolio by ERV and 42% by value, and therefore highly significant to the group, is the investment in the Merrion Centre in Leeds. This has been owned and managed by TCS since it opened in 1964 and despite being well known as a shopping centre, the first major development of its kind in the UK, it has continued to evolve over the years to become a mixed-use destination, comprising c 1m sq ft of retail, leisure, hotel, car parking and office space in the city's retail centre. TCS has invested more than £70m in the Merrion Centre over the past 10 years, £40m of this within the past five years, supporting growth in ERV, consistently

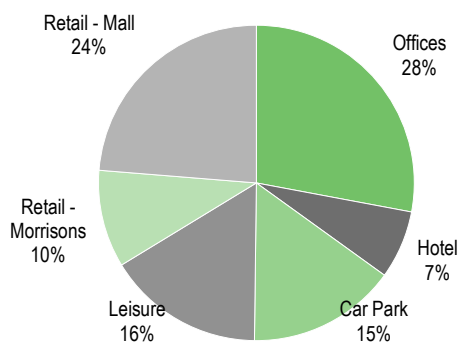
high levels of occupancy (99% at end-H118) and increasing valuation (Exhibit 7). The Merrion Centre total property return has compounded at a rate of more than 10% over the past five years.

Exhibit 7: The Merrion Centre – a mixed use destination							
	Valuation			Capex	ERV		
	Dec-17	Five year change		2012-17	Dec-17	Five year change	
	£m	£m	%	£m	£m	£m	%
Offices	51.1	15.5	44%	5.9	3.3	0.9	36%
Hotel	11.9	9.1	319%	9.7	0.9	0.6	248%
Car Park	26.4	8.6	48%	10.5	1.8	0.1	5%
Leisure	22.3	5.0	29%	4.6	1.9	0.4	25%
Retail -Morrisons	17.8	7.1	67%	4.1	1.1	0.3	31%
Retail - Mall	33.2	15.2	84%	5.4	2.8	(0.4)	-11%
Total	162.6	60.5	59%	40.1	11.9	1.9	19%

Source: Town Centre Securities. Note: Includes Merrion House at new rent on completion in January 2018.

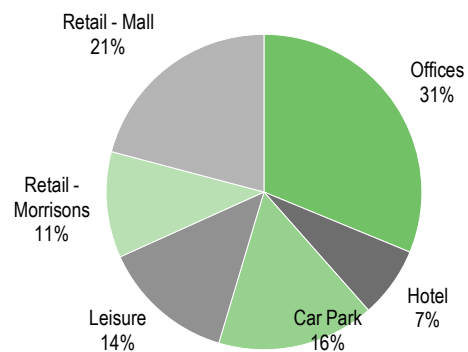
The diversified, mixed-use nature of the Merrion Centre can be clearly seen in Exhibits 8 (by ERV) and 9 (by valuation). Following completion of the Merrion House office development in January 2018 (see below) and included in the analysis at its new, higher, post-completion rent level, offices now represent a larger share (28%) of ERV than typical mall retail units (24%).

Exhibit 8: Breakdown of Merrion Centre ERV



Source: Town Centre Securities (31 December 2017)

Exhibit 9: Breakdown of Merrion Centre valuation



Source: Town Centre Securities (31 December 2017)

The centre is well placed amongst established offices, universities and colleges and it adjoins retail and leisure areas, including the Leeds (First Direct) Arena, which opened in 2013. The student influence in the area is strong and growing with more than 3,400 accommodation units already in place in the immediate vicinity and a further 2,700 planned or in development. The retail and leisure offering at the centre has been positioned to address the needs of the growing local population, including food provision from Morrisons and Sainsbury's, value and convenience offers from the likes of Poundstretcher and Home Bargains, leisure offers from KFC, My Thai, Bengal Brasserie, and Costa Coffee, and nightlife at Pryzm nightclub and the Key Club.

The Arena Quarter development at the northern edge of the Merrion Centre was a significant £17m project to expand the entertainment and leisure offer at the site. It began in 2012, becoming fully let during FY17, and was aimed at capitalising on the opening of the nearby Leeds Arena, a c 14,000 capacity entertainment and concert venue. The ibis Styles Hotel opened in April 2017 and the car park facilities have been fully refurbished and should benefit from completion of Merrion House, a 175k sq ft office building. Merrion House is let to Leeds County Council on a 25-year lease with capped RPI increases and was completed in February 2018. The building was developed by a 50:50 joint venture between TCS and Leeds County Council (LCC); TCS is contributing the existing building that it previously owned 100%, with a pre-development value of £20m, and is investing a further £5m. TCS continued to receive £0.7m in rental income during the development phase and this will now increase to £1.66m (its 50% share). The fair value of the building, within the JV,

showed some increase in H118 as it neared completion, but management expects the value to show a more substantial increase, to c £68m, now that it is complete and occupied.

In the following section we discuss the further asset management opportunities that TCS has at the Merrion Centre, optimising existing space primarily for the development of additional office and residential space.

Extensive growth opportunity from existing portfolio

Exhibit 10 shows the extent of the pipeline development opportunities available to TCS from within its current portfolio. These mainly represent projects at two strategic development sites at Piccadilly Basin in Manchester and Whitehall Road in Leeds, but also include other projects, including further developments at the Merrion Centre. The projects are listed in Exhibit 10 and are shown in line with management's current best view of the likely order in which they may proceed, although this is subject to material variation.

The Burlington House residential development is already well underway while other projects are varying stages of scoping and planning, and our forecasts also include George St, Eider House, and the Leeds car park. For the George Street development, TCS was selected by Leeds County Council as its partner in the development of 126 aparthotel units above ground floor commercial space for retailing, cafes, bars and restaurants, and incorporating a new market hall entrance. At Eider House in Manchester, TCS has detailed planning permission for a 126-unit residential development and expects to select a joint venture partner (for modelling purposes we assume 50:50) in time to begin construction in mid-2019 once Burlington House completes. We also expect TCS to press ahead with the development of the 500-space Leeds multi-story car park, where the local authority approval of the level ground car park is of a temporary nature and where similar nearby development has increased demand and reduced available car parking space. These projects have an expected GDV of £98m (100% value) and we assume a TCS share of £55m.

As a guide to the further development potential, management has provided estimates of the potential GDV of each of the projects that it is considering, although this is subject to material variation, not least in terms of changes to the scope of development. The total estimated GDV of the projects identified is £596m (100%), or an additional c £500m (100%) to those in our forecasts. The income potential shown in Exhibit 10 should also be viewed as indicative, based on the simple application of a 5% yield to each project, but shows a significant potential uplift on the current ERV. In reality, many of the projects will be undertaken as joint ventures and we would expect many of the developments (eg the Whitehall Road office developments) to be sold at completion. This will both share the burden of funding the development pipeline, and the capital and/or income upside for TCS however, notwithstanding this, the opportunity for continued value creation from intensive asset management is clear.

Exhibit 10: Indicative development pipeline, 2018 and beyond

Project	Development type	Status	Structure (where decided)	TCS JV share**		100%	
				Estimated GDV*	Income potential @ 5%	Estimated GDV*	Income potential @ 5%
Burlington Hs. (at 50% share)	Residential	Underway	JV	£13	£0.6	£26	£1.2
George Street (at 50% share)	Leisure	High level planning	JV	£10	£0.5	£20	£1.0
Eider House	Residential	Detailed planning	JV tbc**	£20	£1.0	£40	£2.0
Leeds car park	Car park	Detailed planning	100%			£12	£0.6
Merrion cinema	Office	Detailed scoping	N/K			£42	£2.1
Whitehall Road No. 2	Office	Detailed planning	N/K			£71	£3.5
Leeds, Vicar Lane	Retail & leisure	High level scoping	N/K			£9	£0.4
Whitehall Road No. 3	Office	Strategic framework	N/K			£40	£2.0
Whitehall Road No. 7	Office/leisure	Strategic framework	N/K			£28	£1.4
Manchester residential tower A	Residential	Strategic framework	N/K			£82	£4.1
Manchester residential tower B	Residential	Strategic framework	N/K			£55	£2.7
Manchester residential D	Residential	Strategic framework	N/K			£28	£1.4
Manchester commercial	Mixed use	Strategic framework	N/K			£76	£3.8
Manchester car park	Car park	Strategic framework	N/K			£12	£0.6
Rickmansworth	Residential	Un-scoped	N/K			£5	£0.2
Merrion corner tower	Residential/mixed use	Un-scoped	N/K			£50	£2.5
Total						£596	£30.5

Source: Town Centre Securities. Note: *Management estimates for illustrative purposes and subject to material variation including from changes in the scope of works. **JV not confirmed but assumed to be on a 50:50 basis in Edison forecasts.

Piccadilly Basin in Manchester

The Manchester economy has been developing strongly, with growth exceeding that of London over the past three years. Growth is fuelling increasing employment and housing demand, with residential projects being the focus of the TCS Piccadilly Basin development site. The 12.5 acre site is close to the Piccadilly train station and includes a variety of buildings, car parking and future development sites. TCS has already developed a number of buildings over the past 15 years, including Urban Exchange, a c 116k sq ft multi-let retail park, Carvers Warehouse, a c 22k sq ft office conversion of a listed building, and several other office/residential buildings that have been sold. The council-approved Strategic Planning Framework (SPF) for the further development of the site includes more than 700 residential units as well as a multi-story car park, and 177,000 sq ft of canal-side commercial property.

As noted above, the residential programme is underway and is on-site at Burlington House with Eider House set to follow. Not shown in Exhibit 10 is a development of 31 loft style apartments, by Urban Splash, of Brownsfield Mill, as it was structured effectively as a sale. TCS provided the site and will receive a 12.5% share of the apartment sale proceeds as the development progresses.

We would expect further development of the site over a number of years with the pipeline of projects (including Burlington House and Eider House) amounting to an estimated GDV of more than £300m.

Whitehall Road, Leeds

The Whitehall Road development site covers three acres in a predominantly office area in central Leeds, and in close proximity to Leeds train station. Office take-up in Leeds city centre reached a record (c 1m sq ft), with availability at the lowest level for some years and rents increasing. The current scheme for the Whitehall Road site has detailed planning consent for a c 165k sq ft office building at No. 2 Whitehall Road and for a 500-space multi-story car park. Additionally, there is outline planning permission for a further c 160,000 sq ft of office space. As noted above, we expect that TCS will proceed with the car park construction and then No 2 Whitehall Road, which is being marketed for pre-letting. We have not assumed the construction of that office building within our forecasting period however.

Other developments

Following a property and land swap with Evans of Leeds, TCS recently acquired full ownership of a key island site in central Leeds, immediately outside the £165m Victoria Gate retail development that opened in October 2016. With John Lewis as anchor tenant, retail demand in the area is expected to show significant growth over the next few years and TCS is at the early stages of scoping long-term improvement plans for the site, which it anticipates will significantly improve ERV.

Further development opportunities at the Merrion Centre include developing a vacant cinema for office use, redevelopment of an older office building for upgraded office/residential use, and increasing building density by developing additional levels above the cinema.

TCS has a growing car park operation (CitiPark)

TCS had operated a successful car parking business throughout the 1990s, which was sold to Q-Park, one of Europe's leading parking service providers. In 2014 TCS took the decision to rebuild the activity, the key strategic benefits of which include:

- Providing additional, low capital intensive and relatively low volatility, recurring income and cash flow, particularly during a development phase for the investment portfolio.
- Generating income from development sites in the period, sometimes several years, before development takes place.
- Adding general diversification to the group in the context of a commercial property sector where returns, especially capital value returns, are likely to remain cyclical over the long term.

When deciding to again grow the activity, TCS already owned a number of permanent car parks, including the Merrion Centre car park in Leeds, but was also utilising sites earmarked for future development in Leeds and Manchester. Gross revenue in 2011 was £5.1m. Several additional car parks, both freehold and leasehold, have subsequently been acquired and TCS has invested in a cloud-based management system to allow efficient management of the locations from a central control room. To create a clear identity and emphasise the commitment to technology enabled customer service and quality, the operation was branded CitiPark. 2017 gross revenue had reached £11.0m with operating profit (before valuation movements) of £3.9m (26% of the group total), and grew further in H118, with gross revenue up by 5.2% to £5.8m and operating profit (before valuation movements) ahead (by 1.4%) despite some headwinds from higher business rates. The completion and subsequent occupation of Merrion House should have a positive impact on the refurbished car park facilities at the Merrion Centre, while some of the more recently acquired branches such as those in London have scope to improve their contribution as CitiPark's technology and marketing strategies become fully embedded, increasing revenues and efficiency. Over the medium term, some of the development sites may come off-line to allow for development work and our forecasts allow for such an impact at Whitehall Road car park in Leeds where we assume the development of a new multi-story car park, part of the master plan for the site, will proceed during FY19.

Strategic investment in YourParkingSpace.co.uk

In FY17, TOWN made a strategic investment in fast growing, non-listed YourParkingSpace.co.uk (YPS), making an initial £1.95m investment, a £1.535m loan and an £415k equity investment, taking a 10% stake. In H118 it invested an additional c £150k, increasing its stake to 15%. YPS is an on-demand parking service which connects drivers with more than 250,000 parking spaces across the UK via its website and mobile application. TCS is excited about the growth potential for YPS and the possibilities for the two businesses to work together. It says that CitiPark branches are already benefitting from the partnership, while in broader terms it notes that the substantial parking industry is one of the few remaining sectors where no dominant online brand has emerged, in a similar way to Airbnb and Booking.com in the hotel sector.

Financials

In this section we provide details of our forecasts for earnings, balance sheet and cash flow. In line with management's segmental results we discuss our estimates separately for each of property investment, hotel operation and car parking.

Growth in investment property division driven by JVs

A summary of our earnings forecasts for the property investment division is shown in Exhibit 11. Fully consolidated rental income allows for vacancy in Milngavie, formerly occupied by Homebase, which reduces near-term rental income by c £600k pa. Management will use the opportunity provided by the vacancy to divide the property into three units and expects the ERV to be enhanced by c 5%. We have assumed a re-letting from 1 July of 2018 (start FY19). We also assume 1% pa like-for-like rental growth. The change in fully consolidated net revenue is modest over the period, with development activity within the joint ventures (existing and planned) driving the growth in operating both profit (both before and including valuation movements) over the forecast period. The valuation gains on wholly owned properties are driven by the rental growth assumption, with no allowance for possible yield shifts (either up or down), and an assumed £2m gain on redevelopment of the Leeds car park site in 2020 (GDV of £12m less development cost of £10m). Profits on disposal relate to the gain reported in H118 plus the assumption of an additional £1.0m share in the sales receipts from Brownfield Mill in H218 and H119.

Exhibit 11: Property investment divisional forecast					
Year end June (£m)	2017	2018e	2019e	2020e	2021e
Gross revenue	16.6	15.9	16.4	16.6	16.6
Total property expenses	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)
Net revenue	14.7	14.0	14.5	14.7	14.8
Administrative expenses	(5.5)	(5.7)	(5.8)	(6.0)	(6.1)
Other income	0.7	0.6	0.4	0.4	0.4
Share of post-tax profits from joint venture	0.9	1.0	1.7	2.3	2.8
Operating profit before valuation movements	10.8	10.0	10.8	11.4	11.8
Valuation movement on investment properties	(2.1)	3.9	2.7	4.8	2.8
Profit on disposal of investment property	0.3	1.7	0.5	0.0	0.0
Valuation movement on properties held in joint venture	0.5	6.0	2.0	0.9	4.0
Operating profit	9.5	21.5	16.0	17.1	18.6

Source: Edison Investment Research

We next turn to an examination of potential development activity, the majority of which we expect to take place within the property investment joint ventures.

We include three further development starts in our forecasts

Our forecasts include three of the development projects shown in Exhibit 10 above during the forecast period, in addition to the completion of Burlington House. The projects that we include correspond to management's current best view of the likely order of development activity and that we believe are possible without recourse to additional capital resources. Of course, it remains possible that with divestments or other capital measures, TCS may be able to accelerate its development pipeline.

- Completion of Burlington House (currently on-site) JV.** Completion is targeted for May 2019 (ie by the end of FY19), with a GDV of £26m (TCS share £13m). Management indicates a build cost of £22.0m (an implied development margin of c 20%), and we assume debt funding within the joint venture of £13m (or 50% of GDV) with TCS and its JV partner funding the balance. Our assumptions generate a gain at completion of £4.0m (TCS share £2.0m). It is not entirely clear whether Burlington House will be part of the planned growth in build-to-rent assets, but for modelling purposes we have assumed so, with net rental income, post

completion in FY20, of £1.2m in line with management expectations (TCS share of JV profit £0.6m).

- **George Street JV.** We have assumed that the development commences at 1 January 2019 (start H219) and completes 18 months later, at the end of H220, with a GDV of £20m (TCS share £10m) and a build cost of £18.2m, fully funded by TCS and its JV partner. Our assumptions generate a gain at completion of £1.8m (TCS share £0.9m) and, assuming a 5% net rental yield on the completed assets, the JV will earn £1.0m pa post-completion (TCS share £0.5m). We have assumed a relatively modest development gain (10% of cost) on the basis that the site to be developed is not owned by TCS, which has been invited into the venture by Leeds County Council in recognition of its local knowledge and expertise.
- **Eider House.** As noted above, we have assumed that Eider House will be developed with a JV partner, although no firm decision has been taken. TCS expects to commence development once Burlington House has completed. We have assumed that the development commences on 1 July 2019 (start FY20) and completes at end-FY21. The GDV is £40m (TCS share £20m) and we assume a 25% development margin, giving a build cost of £32m. The assumed development margin is higher than expected for Burlington House, which is a more complicated and innovative scheme on a more challenging site. Similar to Burlington House, we assume that the Eider House development will be funded significantly by JV debt, off the TCS balance sheet, with the balance provided by the JV partners (TCS equity investment £10m). Our assumptions generate a gain on completion of £8m (TCS share £4m) and we would expect this asset to form part of the planned build-to-rent portfolio growth, with rent potential, beyond our forecast period, of c £2m (TCS share £1m).
- **The wholly owned Leeds car park.** We have assumed that development of the new multi-storey car park will commence on 1 January 2019 (start-H219) and complete 12 months later. The GDV is £12m and we have assumed a 20% development gain on a £10m build cost over the period, generating a £2m investment gain at completion. We have also allowed for £500k of gross income foregone on the existing ground-level car parking during the build period before gross revenues of £600k pa (an assumed 5% yield on GDV) kick in at completion. The additional yield on the £10m investment needs to be seen in the context of the wider role of the new multi-storey car park within the overall scheme, providing permanent parking space alongside the planned office development.

In Exhibit 12 we show a summary of the capital, income and valuation movements assumed for the three JVs above as well as the Merrion House JV. These correspond to the JV contribution (both before and after valuation movements) to property investment earnings shown in Exhibit 12. The Leeds car park income movements are captured within the consolidated results for CitiPark (below), with the £2m assumed development gain included in our property investment forecasts in Exhibit 11. Now that Merrion House is completed, we expect a further revaluation impact (TCS share £4.9m) at year end, with the TCS share of the JV earnings before valuation movement settling at c £1.7m pa.

Exhibit 12: Forecast TCS investment in JVs, TCS share of JV earnings, and valuation

£m	H218	H119	H219	H120	H220	H120	H220
TCS investment in JV							
Merrion House	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Burlington House	1.30	0.00	0.00	0.00	0.00	0.00	0.00
George Street	0.00	0.00	4.10	2.50	2.50	0.00	0.00
Eider House	0.00	0.00	0.00	5.00	5.00	0.00	0.00
Total TCS investment in JV	1.30	0.00	4.10	7.50	7.50	0.00	0.00
TCS share of JV earnings (before valuation)							
Merrion House	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Burlington House	0.0	0.0	0.0	0.3	0.3	0.3	0.3
George Street	0.0	0.0	0.0	0.0	0.0	0.3	0.3
Eider House	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total TCS share of JV earnings (before valuation)	0.7	0.8	0.8	1.1	1.1	1.4	1.4
TCS share of JV valuation gains							
Merrion House	4.9	0.0	0.0	0.0	0.0	0.0	0.0
Burlington House	0.0	0.0	2.0	0.0	0.0	0.0	0.0
George Street	0.0	0.0	0.0	0.0	0.9	0.0	0.0
Eider House	0.0	0.0	0.0	0.0	0.0	0.0	4.0
Total TCS share of JV valuation gains	4.9	0.0	2.0	0.0	0.9	0.0	4.0

Source: Edison Investment Research.

Hotel operation ramping up

Commencing with the interim results, TCS has helpfully split out the ibis Styles hotel, which opened in April 2017 and is operated under management contract, from the rest of the property investment division. A significant share of the gross revenues are paid out as management fees, both for the hotel and for the restaurant within, and would otherwise materially distort the property investment presentation. With the interim results, TCS reported occupancy levels are now above 70%, exceeding early expectations. In addition, despite a slower start for the restaurant, income should exceed the FY18 target of more than £600k. As the hotel becomes fully established, management anticipates the annualised net revenue increasing to more than £900k. This is reflected in our forecasts.

Exhibit 13: Forecast for hotel operation

Year end June (£m)	2018e	2019e	2020e	2021e
Gross revenue	3.1	3.4	3.6	3.7
Total property expenses	(2.5)	(2.7)	(2.8)	(2.8)
Net revenue	0.6	0.7	0.8	0.9
Valuation movement on investment properties	1.4	0.0	0.0	0.0
Operating profit	2.0	0.7	0.8	0.9

Source: Edison Investment Research

Car parking operations (CitiPark) continuing to grow

We expect further steady underlying organic growth in gross revenue and operating profit before valuation movements from Citipark, with an underlying improvement in efficiency ratios. However, as noted above, from 1 January 2019 (start H219) we assume £500k pa of revenue foregone for 12 months while the Leeds car park site is partly decommissioned to construct the new multi-story car park, for which we assume revenue of £600k pa at completion. This leads to a small dip in our forecast FY19 operating profit and recovery thereafter.

Exhibit 14: Forecast for car park operations (CitiPark)

Year end June (£m)	2017	2018e	2019e	2020e	2021e
Gross revenue	11.0	11.7	11.9	12.3	13.1
Total property expenses	(6.3)	(6.6)	(7.1)	(7.3)	(7.5)
Net revenue	4.7	5.1	4.8	5.1	5.6
Administrative expenses	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)
Operating profit before valuation movements	3.9	4.2	3.9	4.1	4.6
Reversal of impairment of car parking assets	1.0	0.8	0.0	0.0	0.0
Operating profit	4.9	5.0	3.9	4.1	4.6

Source: Company data, Edison Investment Research

We forecast investment of c £45m (TCS share) to 2021

Our forecasts allow for c £45m of property asset investment between the beginning of the current year and the end of FY21. This comprises direct investment in the wholly owned investment portfolio assets of £18.2m, including the £1.2m invested during H118 and the Leeds car park investment (£10.0m). In addition, over the same period, we expect £27.4m (the TCS share) to be invested in the joint venture assets (including £7.0m in H118), corresponding to Exhibit 12 above.

Proceeds from disposal in H118 were £7.1m and although likely, our forecasts assume no other disposal proceeds in the forecast, other than the Brownsfield Mill receipts. The forecast growth in other cash flow from investing activity reflects our expectation of growing cash receipts from the JV's, following the growth in their cash earnings before valuation movements.

Exhibit 15: Summary of cash flow projections

£m	2017	2018e	2019e	2020e	2021e	2018-21e
Operating cash flow	10.1	6.4	6.7	6.9	7.0	27.1
Direct portfolio investment	(23.2)	(2.2)	(7.0)	(7.0)	(2.0)	(18.2)
Net investment in JV	(4.3)	(8.3)	(4.1)	(15.0)	0.0	(27.4)
Proceeds from disposal of investment property	21.6	7.6	0.5	0.0	0.0	8.1
Other cash flow from investing activity	(1.4)	0.2	0.8	1.4	1.9	4.2
Dividends	(5.9)	(6.1)	(6.2)	(6.6)	(6.9)	(25.8)
Net financing requirement	(3.2)	(2.5)	(9.3)	(20.3)	0.0	(32.0)

Source: Company data, Edison Investment Research

After dividend payments, and without additional asset disposals, our forecasts point to a net cumulative funding requirement between the start of the current year and the end of FY21 of £32.0m. For modelling purposes we assume this gap is met with additional borrowing, taking gross interest-bearing debt (which excludes the finance lease liabilities) to £219.5m, or net debt of £216.4m after allowing for cash held to fund working capital needs of £3.1m. This is in excess of the existing £214m of debt facilities, albeit not materially so, suggesting that TCS would require an increased borrowing facility or, just as likely, would target additional mature asset disposals, or other capital raising initiatives. Management indicates that further assets have been earmarked for disposal, including the Rochdale retail park which is currently being marketed with a value of c £14m. Potential asset disposals of at least £20m seem entirely possible, and if undertaken at carried value would reduce the gross borrowing requirement by a similar amount. Although asset disposals would reduce our estimated income, there would also be an interest saving from lower bank debt than we have assumed (at a cost of 2.35%). Our forecast FY21 gross debt would reduce to £199.5m and the net LTV for end-FY21 of 48.7% (H118: 47.0%) would fall to 46.3%. Assuming a 5.6% net yield on disposed assets (the existing portfolio average as well as the average for out-of-town retail assets such as the Rochdale asset), the annualised impact on our FY21e EPRA EPS is a c 5% reduction, leaving the forecast dividend fully covered at 1.11x (Exhibit 16).

Exhibit 16: Annualised impact of £20m of disposals on our FY21 estimates

	2021 expected	
	Base forecast	Disposal adjusted
Net revenue (£m)	21.2	20.1
EPRA EPS (p)	16.4	15.2
DPS (p)	13.7	13.7
Dividend cover	1.20	1.11
Gross debt	219.5	199.5
Net LTV	48.7%	46.3%

Source: Edison Investment Research

The existing debt facilities comprise £106m in First Mortgage Debenture Stock at a fixed rate of 5.375% and maturing in 2031, plus £108m in secured bank facilities at an average variable cost of c 2.5%. The weighted average maturity of the debt was 8.7 years at end-H118, although the bank debt is of relatively short duration. Two bank facilities expire in late 2018; with Handelsbanken renewal negotiations are well underway, and with Lloyds it is likely that the loan will be extended for a year under an option clause. A third facility, with RBS, expires in 2020, with an option to extend for a further year.

Management has indicated that it is exploring how it can fund, and potentially accelerate, the substantial development pipeline. We would be surprised if the option of raising additional equity were not to be considered, although this may require family owners to re-assess their position. The current discount to NAV would also be a consideration.

Valuation

Over the five years ending June 2017, we estimate an NAV total return (the change in NAV per share plus dividends paid) of 52.7%, which represents a compound annual increase of 8.8% over the period. Dividends contributed an aggregate 20% over the period and the growth in NAV per share the balance. Our forecasts do not include any assumption of property yield tightening, a feature of the past five years, but still indicate a compound annual growth in NAV total return per share of 7.3% over the four years ending June 2021. Of the aggregate c 33% return over the period, c 13% is from dividends and the balance from NAV gains driven by continuing intensive asset management.

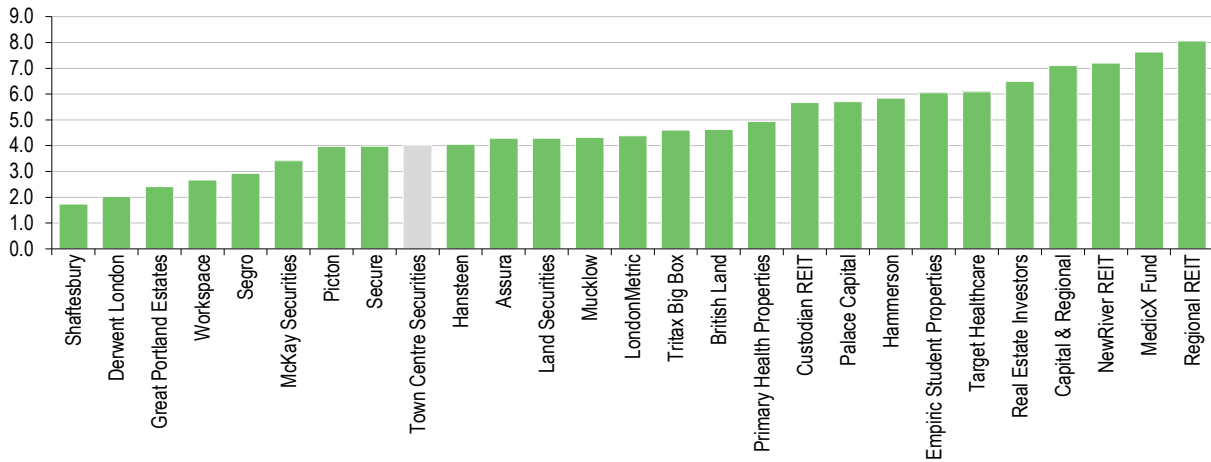
Exhibit 17: Historical and forecast NAV total return

Period ending June	2013	2014	2015	2016	2017	2018e	2019e	2020e	2021e	2013-17	2018-21
Opening NAV per share (p)	270	267	308	344	357	359	387	399	412	270	359
Closing NAV per share (p)	267	308	344	357	359	387	399	412	428	359	428
Dividend per share (p)	10.44	10.44	10.44	10.44	11.15	11.5	11.666	12.34	12.7	52.91	48.2
NAV total return	2.8%	19.4%	15.0%	6.9%	3.8%	10.9%	6.1%	6.4%	7.0%	52.7%	32.6%
Compound annual growth in NAV total return										8.8%	7.3%

Source: Company data, Edison Investment Research

Continuing investment in and redevelopment of the portfolio is a limiting factor on immediate dividend distributions. However, TCS has a long and consistent track record of dividend payments, increasing or at least maintaining DPS in each of the past 57 years. With a forecast prospective dividend yield of 4.0% in respect of the year ending June 2018, TCS sits below the median range for the broad group of property companies and REITs shown in Exhibit 18, and slightly below the 4.1% yield on The FTSE All-Share Index.

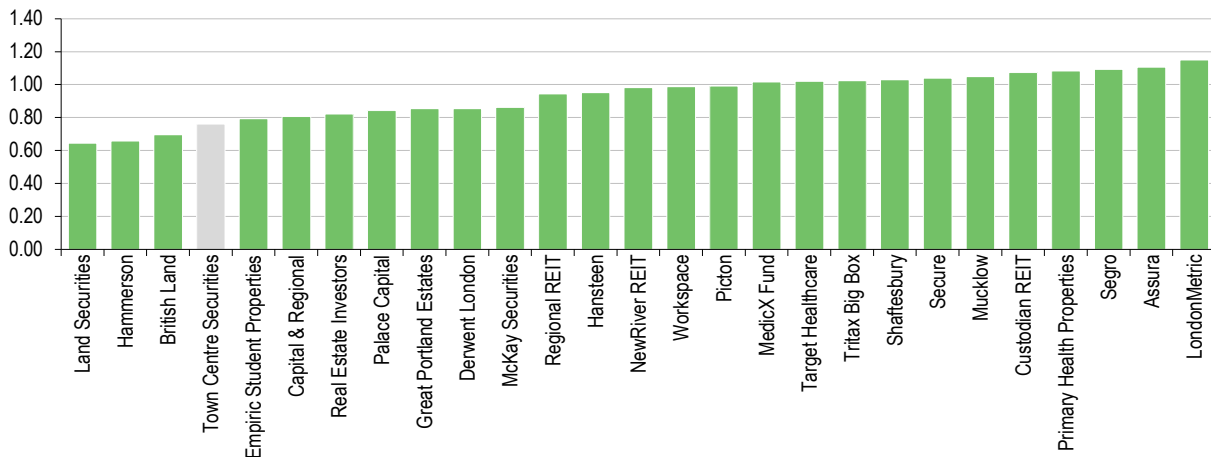
Exhibit 18: Yield comparison



Source: Edison Investment Research, company data, Bloomberg data as at 14 April 2018. Note: Prospective yield.

Across the broad sector, the relationship between yield and P/NAV has become somewhat complicated to read. Among those companies with the highest P/NAVs are several that focus on long duration leases, providing investors varying degrees of income predictability. Investors currently appear less willing to attach a similar rating to expected future capital returns driven off asset management and development initiatives, in part because these can be less easy to predict, although this differential could change as interest rate expectations increase. Given its strong record of dividend distributions, the P/NAV ratio of 0.74x attached to TCS shares (Exhibit 19), does not appear to be factor in a significant recognition of its substantial capital return potential. The developments we assume within the forecast period add c £9m (or 16.7p) to net assets and £2.2m (TCS share) or 4.1p to income, dropping through to the bottom line. Including the JV partner shares, these developments amount to £98m of GDV, while the remaining pipeline (not captured by our forecasts) has a GDV potential of c £500m gross (ie before potential JV interests).

Exhibit 19: P/NAV comparison



Source: Edison Investment Research, company data, Bloomberg data as at 14 April 2018. Note: Prospective yield.

Relative to a number of peers, gearing is higher at TCS, although it is substantially long term and fixed rate, mitigating interest rate risk. Any unexpected decline in property values would, however, have a more significant effect on NAV. Market sentiment towards retail property is also currently weak and may be a contributory factor to the TCS valuation. However, for TCS this mainly represents parts of the Merrion Centre, less exposed to discretionary consumer spending, and where TCS has invested significantly in improving its attractiveness as a destination.

Sensitivities

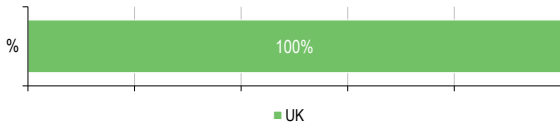
The commercial property market is cyclical, historically exhibiting substantial swings in valuation through cycles. Income returns are significantly more stable, but fluctuating with tenant demand and rent terms. For TCS we would also highlight the increased risks and uncertainties that attach to development activity, including planning consents, timing, construction risks and the long lead times to completion and eventual occupation. We consider the main sensitivities include:

- Sector risk: Some of the inherent cyclical risk to vacancy in commercial property can be mitigated by portfolio diversification across property types, locations and tenants. TCS has a good track record of occupancy (99% at end-H118) and we expect the sectoral diversity of the portfolio to further increase, including the build-up of lower volatility residential assets. The car parking business (26% of FY17 operating profit before valuation movements) is a less cyclical, cash generative business and we expect it to grow further.
- Development risk: Although we expect asset management and development projects to continue to be a driver of property income growth and capital returns, active projects represent a relatively low share of the overall portfolio at any point in time. Many are undertaken with joint venture partners, spreading investment risk, and all are undertaken by external contractors to whom most of the construction risk passes.
- Macro risk:
 - Although growing by c 1.7% in 2017, UK GDP growth was weak in Q4, with slowing investment and construction, and low wage growth curbing consumption. The Bank of England forecasts a similar rate of growth in 2018 compared with 2017, although Brexit uncertainty remains high.
 - With inflation already rising, partly due to sterling depreciation and rising oil prices, the prospect of higher interest rates becomes more imminent. The fixed rate debenture debt provides TCS with long-term interest rate protection, although the floating rate bank debt would more quickly adjust to higher market rates. An increase in longer-term rates is likely to have a knock-on effect on NAV over time, through increased property yields.

Exhibit 20: Financial summary

Year ending 30 June (£000's)	2015	2016	2017	2018e	2019e	2020e	2021e
INCOME STATEMENT							
Gross revenue	22,714	26,265	27,540	30,689	31,662	32,480	33,461
Total property expenses	(5,248)	(7,661)	(8,148)	(11,006)	(11,631)	(11,904)	(12,213)
Net revenue	17,466	18,604	19,392	19,683	20,031	20,576	21,248
Administrative expenses	(5,321)	(5,493)	(6,295)	(6,618)	(6,769)	(6,924)	(7,083)
Other income	1,468	599	707	647	400	400	400
Valuation movement on investment properties	14,791	3,018	(2,085)	5,269	2,728	4,775	2,823
Reversal of impairment of car parking assets	0	500	1,000	800	0	0	0
Profit on disposal of investment property	236	1,140	303	1,698	500	0	0
Share of post-tax profits from joint venture	2,621	1,400	1,342	7,041	3,675	3,175	6,775
Operating profit	31,261	19,768	14,364	28,520	20,564	22,002	24,163
Net finance costs	(7,258)	(7,847)	(7,639)	(7,804)	(8,067)	(8,413)	(8,628)
PBT	24,003	11,921	6,725	20,716	12,498	13,589	15,534
Tax	0	0	0	0	0	0	0
Net profit	24,003	11,921	6,725	20,716	12,498	13,589	15,534
Adjustments to EPRA:							
Valuation movement on investment properties	(14,791)	(3,018)	2,085	(5,269)	(2,728)	(4,775)	(2,823)
Reversal of impairment of car parking assets	(5,013)	(500)	(1,000)	(800)	0	0	0
Valuation movement on properties held in joint ventures	0	(668)	(471)	(6,000)	(2,000)	(900)	(4,000)
Profit on disposal of investment/development properties	(236)	(1,140)	(303)	(1,698)	(500)	0	0
(Profit)/Loss on disposal of investment properties held in joint ventures	2,488	0	0	0	0	0	0
EPRA earnings	6,451	6,595	7,036	6,949	7,270	7,914	8,711
Average number of shares (m)	53.2	53.2	53.2	53.2	53.2	53.2	53.2
Basic & fully diluted IFRS EPS (p)	45.2	22.4	12.7	39.0	23.5	25.6	29.2
Basic & fully diluted EPRA EPS	12.1	12.4	13.2	13.1	13.7	14.9	16.4
DPS declared (p)	10.44	11.00	11.50	11.50	12.20	12.70	13.70
BALANCE SHEET							
Investment properties	336,982	346,388	349,266	353,068	362,796	374,571	379,394
Investment in joint ventures	19,344	25,093	27,852	42,306	48,406	64,306	68,306
Goodwill	4,024	4,024	4,024	4,024	4,024	4,024	4,024
Other non-current assets	1,214	2,151	3,922	3,815	3,815	3,815	3,815
Total non-current assets	361,564	377,656	385,064	403,213	419,041	446,716	455,539
Investments (listed equities)	1,962	2,070	2,394	2,542	2,542	2,542	2,542
Non-current assets held for sale	3,450	0	0	0	0	0	0
Trade & other receivables	6,871	7,388	3,311	3,688	3,793	3,953	4,038
Cash & equivalents	1,515	0	3,124	3,714	4,427	3,055	3,063
Total current assets	13,798	9,458	8,829	9,944	10,763	9,550	9,643
Total assets	375,362	387,114	393,893	413,157	429,803	456,266	465,182
Trade & other payables	(11,857)	(11,496)	(10,846)	(12,294)	(12,644)	(13,178)	(13,460)
Financial liabilities	(38,668)	(887)	0	0	0	0	0
Total current liabilities	(50,525)	(12,383)	(10,846)	(12,294)	(12,644)	(13,178)	(13,460)
Non-current financial liabilities	(141,959)	(184,874)	(191,969)	(195,034)	(205,034)	(223,934)	(223,934)
Total liabilities	(192,484)	(197,257)	(202,815)	(207,328)	(217,678)	(237,112)	(237,394)
Net assets	182,878	189,857	191,078	205,830	212,125	219,154	227,788
Period end shares in issue (m)	53.2	53.2	53.2	53.2	53.2	53.2	53.2
NAV per share (p)	344	357	359	387	399	412	428
CASH FLOW							
Net cash flow from operating activity	2,191	5,656	10,108	6,367	6,740	6,913	7,034
Investment in investment properties	(37,045)	(17,014)	(23,246)	(2,172)	(7,000)	(7,000)	(2,000)
Proceeds from disposal of investment property	26,821	16,050	21,574	7,587	500	0	0
Purchase of fixtures, equipment and motor vehicles	(532)	(1,496)	(586)	(580)	(900)	(900)	(900)
Proceeds from sale of fixed assets	0	54	61	0	0	0	0
Investments and loans to JV	0	(4,916)	(4,250)	(8,294)	(4,100)	(15,000)	0
Distributions received from joint ventures	0	567	1,031	881	1,675	2,275	2,775
Proceeds from sale of joint ventures	0	0	0	0	0	0	0
Payment for the acquisition of non-listed investments	0	0	(1,950)	(150)	0	0	0
Cash flow from investing activity	(10,756)	(6,755)	(7,366)	(2,728)	(9,825)	(20,625)	(125)
Proceeds from borrowing	17,475	4,247	7,197	3,065	10,000	18,900	0
Dividends paid	(5,550)	(5,550)	(5,928)	(6,114)	(6,202)	(6,560)	(6,900)
Cash flow from financing activity	11,925	(1,303)	1,269	(3,049)	3,798	12,340	(6,900)
Change in cash	3,360	(2,402)	4,011	590	713	(1,373)	8
Opening cash	(1,845)	1,515	(887)	3,124	3,714	4,427	3,055
Closing cash	1,515	(887)	3,124	3,714	4,427	3,055	3,063
Bank overdraft	0	887	0	0	0	0	0
Cash as per balance sheet	1,515	0	3,124	3,714	4,427	3,055	3,063
Debt	(176,147)	(181,281)	(187,507)	(190,572)	(200,572)	(219,472)	(219,472)
Net debt	(174,632)	(181,281)	(184,383)	(186,858)	(196,145)	(216,417)	(216,409)
Net LTV	49.7%	49.5%	49.3%	47.7%	48.1%	49.6%	48.7%

Source: Company accounts, Edison Investment Research

Contact details		Revenue by geography	
Town Centre House The Merrion Centre Leeds LS2 8LY UK +44 (0)113 222 1234 www.tcs-plc.co.uk			
Management team			
Chairman & Chief Executive: Edward Ziff OBE		Property Director: Richard Lewis	
Edward Ziff joined TCS in 1981 and was appointed to the board in 1985. He became managing director in 1993 and chief executive in 2001. In 2004 he also became chairman, succeeding his father, Arnold Ziff, who founded the company in 1959. He has strong links to the Leeds community and in 2017 was awarded the OBE for his services to the economy and community of Leeds.		Richard Lewis joined TCS in 2000, with a focus on the development activity of the company, and was appointed to the board in 2001. He later took responsibility for the group property portfolio, becoming property director in 2008. He is a firm believer in the importance of quality and sustainability in development schemes and in public/private partnering.	
Group Finance Director: Mark Dilley		Managing Director, CitiPark: Ben Ziff	
Mark Dilley joined TCS and its board in 2017. He was previously 14 years with Asda Stores (part of Walmart) where he held a number of senior finance roles, including most recently as vice president, retail and property finance, with responsibility for all Asda stores and distribution centres as well as new store acquisitions.		Ben Ziff joined TCS in 2008, and is managing director of CitiPark. He joined the board in September 2015. He has led a significant expansion of the TCS car parking operations, broadening its geographic footprint, branding as CitiPark and harnessing technology to both improve the customer experience and drive business efficiencies.	
Principal shareholders			(%)
The Ziff family concert party			52.00%
New Fortress Finance Holdings Ltd			7.03%
West Yorkshire Pension Fund			1.95%
Companies named in this report			
Land Securities (LAND), Hammerson (HMSO), British Land (VLND), Capital & regional (CAL), McKay Securities (MCKS), Great Portland Estates (GPOR), Segro (SGRO), Hansteen (HSTN), Drewent London (DLN), Real Estate Investors (RLE), Regional REIT (RGL), Custodian REIT (CREI), Mucklow (MKLW), Shaftesbury (SHB), NewRiver REIT (NRR), LondonMetric (LMP), Palace Capital (PCA), Picton Property (PCTN)			

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