File name: GMT20210310-085806_Tritax-Big_gallery_1920x1080.mp4
Audio quality: Great
Moderator questions in Bold, Respondents in Regular text.
KEY: **Unable to decipher** = (inaudible + timecode), **Phonetic spelling** (ph) + timecode), **Missed word** = (mw + timecode), **Talking over each other** = (talking over each other + timecode).

(TC: 00:00:00)
Ian Brown: Good morning everybody and welcome to our results presentation for the financial year ending December 2020. My name is Ian Brown, part of the invest relations team here at Tritax. I'm very please to be joined here today by Sir Richard Jewson Chairman of Tritax Big Box, Colin Godfrey, CEO, and Frankie Whitehead our finance director. Before I hand over to Richard for some opening remarks I will run you through some quick housekeeping points. So, firstly we are webcasting this live from our respective homes in line with government guidance, so I do hope you can see and hear us clearly. The team will run you through the results presentation and thereafter there will be an opportunity for analysts and investors to ask questions. There are two ways to ask questions, you can input them into the web chat by pressing the Q&A button or if you'd prefer to ask your questions in person, please use the, 'Raise your hand' button. I will announce your name and then unmute your line, but please do remember to unmute your own device. This session is being recorded and replay and the transcript will be made available on the Tritax Big Box website. And with that I will hand over to Sir Richard.

(TC: 00:03:09)
Richard Jewson: Well, good morning everyone, it's great that you're able to join us this morning and I am delighted that we are today presenting the strongest performance in the life of the company to date. The remote nature of this presentation is a reminder that the pandemic broke out a year ago and it has been a testing time for all of us. Through this period, we have been extra vigilant and sensitive, mindful of the health and wellbeing of our staff, contractors on our sites, our customers, shareholders and all that do business with us. I have been Chairman since our IPO in December 2013, and I am proud of what we have achieved for our stakeholders over the last seven and a half years. We have grown to become the largest route focused entirely on UK logistics real estate, from a start-up to a market cap of over £3 billion today.

I may announce that I will be retiring from the board and handing over to Aubrey Adams at our AGM in May, I do so leaving the business in excellent health and with great opportunity ahead. This provides me with the chance to thank both my fellow non-executive directors who have served the company so admirably, and indeed following Godfrey and his excellent Tritax team who have carried out the strategy so brilliantly to deliver these sustainable and growing returns. And, finally, I thank all of you who have worked with and supported the company. I know hand you over to Colin.

(TC: 00:05:06)
Colin Godfrey: Thank you, Sir Richard, and good morning everyone, we are really delighted to be presenting the Tritax Big Box results for 2020 and to update you on the great progress we are making in delivering our strategy. And I'm glad to say that the theme for today's update is that we have produced a really strong performance combined with sustained growth, this is particularly pleasing that we are a year into the effects of the pandemic. Briefly on our agenda, you've heard from Ian and Sir Richard, and I will give a short

introduction, Frankie will then run through the financial results and outlook, and I will provide a strategic update following which Ian will coordinate the Q&A.

So, starting on slide 4. You will hear from Frankie in a moment that we have delivered a really strong set of results for 2020 and we're really positive about our outlook. And I also want to emphasise that we remained well positioned to deliver ongoing strong performance, not just in the short term but also into the medium and longer terms. This is based on the very favourable ongoing fundamentals of our market, which I will touch on later, and the benefits of a high performing, resilient and strategically positioned portfolio coupled with expertise across all aspects of our business and a strong platform which allows us to drive performance by executing a clear strategy underpinned by our focus on enhancing ESG and maintaining financial discipline, both of which are critical to us. And, as I say, all of this means that we're well positioned to capture the great opportunity ahead of us to deliver growing returns over the short, medium and longer terms, I will return to these points in a few minutes but first I'll hand you over to Frankie to run through the financial results, Frankie.

(TC: 00:07:01)
Frankie Whitehead: Thank you, Colin, and good morning everyone, I'm pleased to be presenting an excellent set of financial results this morning. It's a period where the portfolio has performed exceptionally well, recording strong levels of rank collection and income growth, and this is highlighted by the 8% increase in adjusted earnings per share. There is also now clear evidence that the development portfolio is increasing in it's contribution to overall group performance, this has helped us produce the highest level of capital growth recorded since the companies IPO with a net increase of 15.7% to 176p. Our balance sheet is very well positioned and as a results of all of this we have continued to pay an attractive dividend but also have confidence in generating strong levels of total return going forward.

Moving onto the next slide and further detail about the strength of our income growth. The group net rental income increased by 12%, primarily driven by our development activity. We've added £16.9 million of new rent through lettings across our development pipeline which increases the annual contractive rent roll to just over £180 million. This rental growth alongside our stable operating costs has led to the cost-ratio reducing to 14.2%, which is down from 15.1% last year, and we do expect this to fall further as high yielding assets are developed over time. The adjusted earnings per share has increased to 7.17p, this does include approximately £4.5 million of additional other income received via development management agreements, which is a point I will be referring to on a later slide. The fourth quarterly dividend declared this morning takes the overall position for 2020 to 6.4p per share, which is a 2.4% increase above the 6.25p that we indicated during the first half of 2020. The year on year reduction dividend is a reflection of a strategy that is delivering a greater total return focus whilst maintaining an element of prudence following COVID-19 and its impact on corporates across the UK. This positions our dividend payout ratio at 90% for the year.

Moving onto slide 8, and you'll hear about our development and asset management activity later in the presentation, but these factors coupled with a very strong market has improved all key balance sheet metrics. The total portfolio value now exceeds £4.4 billion and the year on year capital performance saw growth of 9.5% across the portfolio with development profits playing a larger role that the overall valuation surplus generated of over £350 million this year. Our rent collecting has been consistently strong, with 99.4% of all rent due in 2020 having been received, and the small level of arrears expected to be recovered by the middle of this year. (TC 00:10:00) This translates into an approximate 24p increase in EPRA NTA, up to 175.6p and a very strong total accounting return delivered at just under 20% for the year all of which stems from a portfolio which provides a high quality and resilient income stream, but now with the growth opportunity provided by

our significant and maturing land bank. Our LTV remains remains steady at 30% and the use of our balance sheet remains a key tool for us across our range of financing options.

This next slide sets out the detail behind our attractive level of EPS growth, driven by an increase in net rental income of £17.2 million. Starting on the left hand side, which is the 2019 earnings position at 6.6p, the constituent parts of this growth include 0.6p from the investment portfolio which includes 2% per annum of like-for-like rental growth across the reviews settled. New leasing activity has added 0.3p and this is partially offset by our net disposal activity. Against this there is a 0.5p unwind of license fees as this effectively converts to net rental income that certain developments reach practical completion. And as presented in the third to last column, this generates an EPS before growth in other income of 6.9p, which is a 4.1% increase over the year. Other operating income is made up of development management fees and profit share arrangements, and this has increased by 0.26p or £4.5 million. Its contribution leads to an 8% increase in headline adjusted EPS to 7.2p. Now these development management fees are more variable in nature and therefore recognised of £8.6 million in 2020 is in excess of our anticipated run rate, which we guide to between £3 million and £5 million per annum moving forwards and we were within this range in 2019. Therefore, if removing this element of fin income, our payout ratio is 93%, which was also a consideration when considering this years dividend.

Slide ten, which sets out the detail behind our strong NAV growth of 15.7%, and we have adopted the EPRA NTA as our primary net asset value measure. A strengthening market which has caused yields to tighten by approximately 30 basis points across our portfolio, along with rental growth captured has lead to the investment portfolio adding 12p to performance. Development profits captured across 2.9 million square feet of new lettings have added a further 7.5p and significant planning consents achieved as seen diluted progression across the land bank with a 3.5p contribution to NAV growth. When combined, the development portfolio and the land bank have contributed almost 50% of the overall portfolio growth and noting the impact of the operating profit and dividends paid in the year, this takes us to the closing NAV of 175.6p.

Moving on, and our balance sheet is in great shape, this is a critical part of financing our strategy and as you can see from the chart, our debt book is diverse in terms of both its maturity profile and the range of different sources which provide us with optionality and flexibility. At the year end, we had a loan to value ratio of 30%, when considering our target range of up to 35%, this shows that we have firepower available to us. And an even greater level of total liquidity when including all undrawn borrowings. We enhanced this with two main events during the year, as highlighted by the red dashed lines on the slide. The first was a twelve month extension to one of the companies revolving credit facilities, and the second was our very successful £250 million green bond issue which has a thirteen year term and is attractively priced at 1.5% per annum, the proceeds of which supports our sustainability agenda and has been pledged towards green projects, the combination of these events has lead to a debt maturity being maintained for approximately seven and a half years and a lowering of the companies capped cost of debt to now below 2.5%

Just before I comment on the outlook, I'm moving on to slide twelve to give some perspective to the growth opportunity and the value within the development pipeline. This rental income bridge shows that we have the potential to grow the contracted annual rent from £181 million today by nearly two and half times to £430 million. And just to be clear, this is without considering any additional form of market driven income growth over and above today's levels. Included within the starting position is £18 million of rent secured under pre-let arrangements, this is income which is all due to commence by the summer of this year, and we see this as a key factor behind 2021 earnings progression. You would also note that we had the opportunity to capture a portfolio rental reversion of approximately 6%.

Now Colin will be updating you with the progress we have making across each of these steps but this significant opportunity to drive value helps underpin our confidence as we think about the longer term future for our business. And so onto the final slide from me, I feel the company is in a really strong position to take advantage both of the position of its portfolio and the strength of the market. And to provide some guidance across some key areas, we are targeting £200 million to £250 million of CapEx this year to support the development programme. This is to commit to the next phase of speculative development but also certain pre-let opportunities which we hope to crystallise during the second half of the year. As we did in 2020, we will continue to trim the portfolio and realise value, but this will be linked to our ability to recycle this capital into more creative opportunities. From an earnings perspective, we are targeting sustainable levels of progression, and ultimately see out future earnings growth being driven by our development pipeline.

And finally moving forwards we will target dividend payout ratio of at least 90% of adjusted earnings. Building in this additional flexibility will allow us to deliver on our strategy and maximise shareholder value. We plan to commence the 2021 quarterly dividend payments in line with the 2020 level but allowing for a potentially higher dividend in relation to the fourth quarter, whilst targeting sustainable dividend growth over the long term. So, that concludes the financial review, where the execution of our strategy has lead to a compelling set of financial results in what is a really exciting time for the company when looking ahead, so I shall now hand you back to Colin to continue with the presentation.

(TC: 00:17:19)
Colin Godfrey: Thanks, Frankie, so Frankie's described a really strong performance in 2020 and a positive outlook and I will now spend a few minutes looking at what's behind all of that. Essentially, it's about the strength of our market and how our strategies aligned to make the most of that to drive income and growth. So, let's first look at slide fifteen at the powerful long-term market fundamentals. You're all familiar with this, but I just want to highlight four points, first top left, you can see the acceleration of online retail sales up 46% in the year, but importantly there remains a lot of opportunity for further growth. Second on the top right, you can see that this drove a record level of lettings in 2020 with the £500,000 + segment up 134% over the previous year. We started 2021 with occupy requirements totalling 112 million square feet, and based on average take-up over the last few years, it could take nearly four years for supply to match the current level of demand. Third, bottom left, shows our vacancy rates have dropped significantly, and in fact there are only four buildings of over 500,000 square feet currently available to let in the UK. Finally, you can see the impact of these dynamics in the bottom right hand graph, which shows increased investment volumes and tightening yields and investors chase scarce supply, and we believe that there is room for yield compression this year as well, which is good news for our investment assets but also enhances the opportunity in our development land.

While COVID-19 and Brexit have had a positive effect on our market, structural change is the key driver, and we believe that this is still in its infancy giving us confidence in the significant scale and duration of the opportunity. So, this sets a really positive market backdrop for our business, not just now but into the future. And as shown on slide sixteen, we have designed our strategy to align with these market drivers. There are three key components to our strategy, and I'll give some flavour for each component in a moment, but, in essence, you can see at the top of the triangle we've built a platform of high quality assets attracting great customers. We've also built the capabilities to add value to these assets through direct and active management, and we use our skills in the form of insights and innovation to develop our land bank at an attractive yield on cost, and I really want to emphasise (TC 00:20:00) the point at the bottom here. This strategy is underpinned

by a very disciplined approach to capital allocation and sustainability is embedded across our portfolio in all of our actions, as you will see on slide seventeen from the strong positions and progress that we have made.

We have handpicked and built a modern and sustainable portfolio, 90% of our floorspace has an EPC rating of A to C, also 43% of our total floorspace is certified to BREEAM very good or excellent, well above the industry average of 23%. We generated 890 MW of solar PV power for our tenants in 2020, avoiding over 200 tonnes of carbon emissions, we're leading by example the aim of developing net-zero carbon buildings, DPD at Vista (ph 20.55), which completes this year, will be our first example. Our development at Littlebrook set the groups first social value targets and recorded an additional social value of £8.2 million in 2020 through local employment, community investment and procurement. And since launching our ESG strategy in mid 2020, we have made good progress against our targets, for example our GRESB score has increased from one green star to three green stars, and our MSC rating has improved from B to BB. We've made good progress but there remains a lot of opportunity for improvement. So, you can see that ESG is at the very heart of our thinking and it's embedded into our strategy.

Part of the strategy is portfolio composition, and as shown on slide eighteen, this is built on very strong foundations. As you know, we split our assets between the investment portfolio, which represents 91% of GAV and the development portfolio at around 9% of GAV. The investment portfolio consists of Foundation Assets at 73% of GAV, which provides our low-risk income with modern buildings, strong locations and long-term high quality customers, and our Value Add assets at 18% of GAV, which have good capital and rental value potential through active management, for example, these three years are all property improvements. Allied to this is our land platform, and the assets that we're developing which gives us the opportunity to capitalise on strong market dynamics both now and into the future. Our land is held primarily through options which is really capital efficient and flexible, and this means the the potential for development platform is far greater than the current capital allocation suggests. The key point here is that the quality of our investment portfolio provides long-term and highly visible growing income, which combines with significant growth potential from our development platform to deliver attractive total returns.

So, let's look a bit closer at the investment portfolio on slide nineteen to demonstrate each of the three key points I made earlier. First, our portfolio is high quality, the charts on this slide provide further evidence of the quality that we focused on. The pie-graph shown in the top left highlights the financial strengths of our customers and our top-ten customers by rental on the top right hints at the quality of our income. It's no coincidence that our rental income is weighted towards strong sectors such as e-commerce, food retail, logistics and other resilient segments as shown bottom left, noting that these customer relationships are underpinned by long term leases all 100% let as Frankie mentioned. Of course our investment decisions are underpinned by regular performance analysis, and this includes assessments of customer financial health, supply chain networks and their requirements. Taking this together you can see how we've delivered the first key element of the strategy, a platform of really high quality assets in strong sectors which act as a firm foundation for long-term stable and growing income, which leads me to our second key strategic element on slide twenty, active management to drive value from within.

Customer relationships and our understanding of their businesses help us support them and are key to successful active management. For us, this activity breaks down into four components, rent reviews, which compound our income, building improvements including extensions and sustainability initiatives, lease reviews (ph 24.54) and re-letting and selective sale and purchase of investments. Compounding and growing income is a cornerstone to our returns, here we consider its composition and growth potential, as shown by

the pie-graphs, we benefit from an attractive blend of upward-only rent review types with a third of our portfolio subject to open market rent reviews and half inflation linked. And while most are five yearly, 12% of our rents are delivered annually, the light shaded section in the graph shows how minimum contracted uplifts will grow our inflation linked, hybrid and fixed rent reviews at 1.4% per annum over the next two years. The darker shaded area highlights the additional growth potential from open market and inflation linked rent reviews at levels higher than the contractive minimums, and this reflects a potential for over 3% per annum over the next two years.

Then on slide 21 let me show you how we've put that into practise, starting with what we've done in 2020. Events such as rent reviews and lease expiries provide opportunity for customer engagement and insight gathering, from this we can help customers optimise their business plans and deliver value for our stakeholders. For example, last year we removed a lease break option at Marks & Spencers Stoke, which extended the term by five years and forward agreed the rent review. Also (inaudible 26.28) Dunelm held over on two leased expiries, both were extended for ten years on improved rentals. There were twelve rent reviews during the year relating to approximately 21% of our income on which we achieved like-for-like growth of 2% per annum, combined with the new rents agreed on the buildings I've just mentioned we grew our income by £2 million. And thinking back to the potential for rental income growth on the last slide, you can see here on the right hand graph what's behind that. In 2021 alone, 37% of our rent has been reviewed with a further 27% due in 2022, so there is significant potential to capture an attractive level of rental growth over the next couple of years.

So, you can see how we have and will continue to drive value through active management across the portfolio, and, as I mentioned, it's an evaluation and insight-driven process which underpins our decisions as shown here on slide 22, where we look at disposals. We undertake regular and rigorous analysis of past and future performance and identifying assets which we believed has maximised returns under our ownership and where there is potential to recycle capital into higher returning opportunities. In 2020 we sold four assets, above book value for a combined £134 million in line with guidance. Having achieved an attractive average IRR of just under 13% per annum over the blended whole period. Whilst development will be the primary target for sales proceeds, we continually look for attractive investment opportunities, I'm reminding you that over 80%, in fact, 88% of our purchases have been off market, and slide 23 shows one such example.

In 2020 at Southampton we acquired an asset off-market for £44.2 million, reflecting an attractive net initial yield of 5.3% funded in part by share issuance at a premium to NAV. This is a rare temperature control facility that was just a few months from lease expiry, our insight confirmed that Tesco wanted to stay in the building and negotiations are ongoing and looking favourable. So, that's the second key element of our strategy, actively managing our assets, which leads me onto the third key strategic element here on slide 24, delivering value from our development land bank. The first thing to say here is that we own and control the UKs largest logistics focused land platform, I'll update on progress across the portfolio any moment, but in overall terms the next few slides I will cover the key metrics that explain why we are so excited about the value opportunity. The map shows the strategic nature of the locations, all diversified across 24 sites and capable of delivering up to 40 million square feet of logistic space. This would more than double the size of our company over the course of the next ten years if we sold no investments. So, this really is a catalyst for growth as well as maintaining portfolio modernity. We will, however, look to sell investments and rotate that capital into higher yielding (TC 00:30:00) development with an attractive yield-on-cost of up to 6%-8%. And this would be a key component to funding our development programme. Prime yields are now below 4%, so we are looking to capture an arbitrage of over 450 basis points, and through this process we hope to deliver attractive dividend

growth. And just as a reminder, land and developments comprise approximately 8% of our GAV but because we control much of the land via option agreements the profit and earnings growth potential is much greater. As Frankie showed you, it has the potential to more than double our rental income.

So, let's return to slide 25, which highlights development progress and its increasing contribution to our performance. We secured just under 3 million square feet of development lettings in 2020, and we have grown our rent by nearly £17 million per annum. This included four speculatively developed assets delivering an attractive yield and cost of nearly 7%. We secured planning consent on land capable of delivering 5.4 million square feet of logistics space in the year further de-risking our land bank and acting as a precursor to securing lettings. In total, development assets contributed 49% of our overall capital value growth in the year and delivered £203 million in profit. Focusing in on Littlebrook, it's a great example of what we can do and here is a short video for you to provide a feel for the site and the progress that we have made (Video plays 31.41-33.45) Littlebrook's a great example of our strategy in action, how we have deployed capital with discipline and been able to use our insights, experience and customer relationships to drive value. Amazons buildings on phase two, and just to say that development progress has moved on from this video with Amazon having already installed significant mechanical automation. Turning to phase one, where we already have our planning consent, we recently agreed to our development partner commencing construction of a 450,000 square foot building which is targeting completion this Autumn. And, finally, land works are nearing completion at phase three, subsequent to which we will be looking to submit a planning application in the coming months for a range of building sizes. So, that's great progress at Littlebrook, and there is more to come. We've made significant progress with the Symmetry of Land platform as well, as set out on slide 28.

We're seeing the benefits of embedding an experienced team with a proven track record within our operations, and we're really proud to have announced our commitment to net-zero carbon in the construction of our developments. Since we acquired Symmetry in 2019, we have added foresights, increasing our potential development space by over 11 million square feet, more than trebled the amount of planning consented land further de-risking the land bank, let five speculatively developed buildings totalling 567,000 square feet at very attractive levels, secured a further pre-let and contributed an additional £5.3 million in rental income. Also, we have delivered £111 million in capital profit reflecting an IRR of over 15% per annum. Our approach to development is focused on reducing risk while maximising returns, options over land provide flexibility, are capital efficient and significantly de-risk the development process, we typically only draw down on the option once we've the planning consent which is a value enhancement milestone. Planning is therefore a powerful development in reducing risk and this is the first major stage in advancing capital full value from the development platform.

And whilst we have made excellent progress, it's still early days, and there's a huge amount of potential here making the prospects for our business very exciting. That brings us up to date for Symmetry, so let's consider the development outlook overall on slide 29. Firstly, we've witnessed a significant increase of occupational enquiries over the last six months or so, equating a current level of enquiries exceeding 16 million square feet. It also echos the favourable backdrop I mentioned earlier where current demand exceeds supply by several years based on recent delivery rates. We are guiding 2 million to 3 million square feet of development per annum, which Frankie mentioned, and this equates to capital expenditure of broadly £200 million to £250 million per annum with Symmetry expected to increasingly contribute compared to the strong levels achieved by Littlebrook in 2020. We successfully let all five of our speculatively developed buildings at or above the target rental levels, in fact 15% above overall, including one building to Ocado and two leased to new

customer, Apple. Our speculative development programme continues and as a guide we expect the run rate level in 2021 to reach around 3% of GAV, similar to the level in 2020.

We now have an increasing number of planning consented sites capable of securing pre-lets and delivering speculative developments, noting that our investment policy restrict land and development exposure to a maximum of 15% of GAV, currently 8%, and within that limit speculative development is restricted to a maximum of 5% of GAV, currently 0%. All of this underpins the confidence in the numbers that Frankie covered, more particularly the opportunity for our development platform to more than double the income of our business over the course of the next ten years. So, that gives an update on how we're delivering value from our development land bank, the third key element of our strategy. And taking our strategy overall, you can see that the combination of our unique position and positive market presents significant and attractive opportunity for us to grow and capture value.

My penultimate slide 30 picks up on this opportunity for growth and how we will fund it. The first thing to stress is that to maximize returns with lower risk we must undertake development activity in a patient and controlled way to achieve a manageable and sustainable level of growth. This extends to a carefully considered and disciplined approach to the use of capital, and I am pleased to say that we are well positioned with a range of funding sources at our disposal. This is corner-stoned by our strong balance sheet where, as Frankie mentioned, we have available firepower and will continue to manage our LTV carefully. We complement this with capital recycling from selective investment disposals as evidenced in 2020 and we will consider raising equity as part of a balanced approach to funding our strategy where it is accretive and clearly in the interest of, and supported by, our shareholders. Finally, we will also consider the potential for joint venture partnerships in order to provide an alternative source of capital and offer a route to share risk. The important point (TC 00:40:00) here is that while we see a huge amount of opportunity, we're really disciplined in the investment decisions we take and the way that we deploy capital, with a clear focus on supporting accretive value growth for our shareholders.

So, turning to our final slide, 31. And a brief summary of the key points from today's results and update. Despite the challenges of COVID-19 and uncertainty that it has created, we've delivered a really strong set of results in 2020 and a seventh consecutive year of growth. We have a well positioned balance sheet and the financial discipline to support our clear strategy which is designed to deliver attractive and sustainable performance, this is backed by a strong and exciting market, both occupational and investment supported by structural change and which we believe will remain attractive for the long term. Our market has material barriers to entry and our unique position and expertise means that we're well placed to take advantage, through our high quality investment portfolio and the UKs largest development land bank, and as a consequence, we're confident in delivering long-term income and value growth for our stakeholders. Thank you for listening, I'll now hand over to Ian who will open up the questions for your session.

(TC: 00:41:32)
Ian Brown: Great, thanks so much, Colin, and just as a reminder there are two ways to ask a question, you can use the web chat feature and type your question in or if you'd like to ask your question in person you can press the, 'Raise your hand' button and I will then announce your name and unmute your line and you can ask your question. We have already had a couple of questions in on the web chat, so I'll take the first one here from Robbie Duncan at Numes (ph 41.59), he's got two questions, the first one is, 'Where in the 6% to 8% target yield on cost range do you expect the next phase of developments to land?' And the second question is, 'Historically, Big Box has had a 9% per annum total accounting

return target split 6% income, 3% capital, has the target and/or the composition shifted as developments become an increasingly important part of the business?'

(TC: 00:42:33)
Colin Godfrey: Thank you, Robbie, that's really helpful. I didn't quite understand the second component part of Robbie's question about the 6% to 8% range, I think you talked about a cost?

(TC: 00:42:43)
Ian Brown: Oh, yes, sorry, target yield on cost.

(TC: 00:42:48)
Colin Godfrey: And you said where is that coming from?

(TC: 00:42:47)
Ian Brown: What do we expect, I suppose, on the next phase of development?

(TC: 00:42:53)
Colin Godfrey: Yes, look, we regularly-, I mean, Frankie might want to pitch in on this as well, but we regularly undertake assessments of all of our development appraisals throughout the Symmetry land bank on a regular basis, and we're making sure all the time that the juxtaposition between value and cost is carefully considered, we have not seen significant cost inflation coming in yet, and of course the value of the land has been increasing and the underlying value of the investments have been increasing as well. So, we believe that we are more than keeping pace in terms of that value gap as it were, and as a consequence we still believe that we're capable of delivering 6% to 8% returns on our development portfolio, more particularly in Symmetry, it's usually, sort of, 7% plus. We're guiding 6% plus on our Littlebrook land bank, which of course is in London where land cost is higher, so I hope that gives you a good feel for the range of that.

Turning to the second part of your question in terms of the 9% total return, yes, that was an historic guide, and I think it's important to recognise that the business has undertaken, you know, a form of evolution, as we've matured, in acquiring land from 2017 when we acquired the development land bank at Littlebrook and then subsequently in 2019 when we acquired Symmetry. And this is partly in recognition of the potential for slowing your compression over time, ultimately it will come to a halt and we think that values will hold up well, but it's important to recognise the value contribution that our development platform can then deliver, and we would like to think about it more in the realms of delivering, you know, long-term sustainable returns in the upper single digits and the lower double digits.

(TC: 00:45:05)
Ian Brown: Great, next question comes from Mike Prew who asks, 'Big Box has a perfect rent collection record, so can you explain why the dividend payout ratio has been redefined and in light of this, how should we think of future returns being balanced between NAV growth and dividend income growth please?'

(TC: 00:45:24)
Colin Godfrey: Okay, well, that's probably one that Frankie might like to start with.

(TC: 00:45:31)

Frankie Whitehead: Yes, hi, Mike, ultimately it's about maximising shareholder returns, I think firstly our dividend remains very attractive, and we expect this to grow on a sustainable basis over the long term, but we do have, you know, an opportunity with our development pipeline to drive both capital value growth and income growth through that development pipeline, and that requires investment, and therefore that's why guiding to a payout ratio moving forwards of at least 90% of adjusted earnings. In terms of the balance, you know, the total return will continue to be underpinned by our strong income yield, but with a growing capital component that will come through from the development pipeline, and I think Colin touched on that in the earlier question.

(TC: 00:46:18)
Ian Brown: Great, okay, I'll take one more question from the web chat and then I'll just open and go over to the things. Next question comes from Miranda Coburn, 'The ERV growth of 1.3% over the year feels a bit low, any thoughts as to what that might be and how it compares with what you are seeing?'

(TC: 00:46:39)
Colin Godfrey: Thank you, Miranda. Look, I think the first thing to say is that valuation is a backward looking principle, it's an art, it looks at historic data and evidence and comparable evidence in the market, so valuers are always, sort of, catching up with what's going on in the market, remember the markets change very significantly very quickly, so we're expecting that ERV growth to accelerate, that's certainly been reflected in our lettings. I mean, if you look at the four lettings that we achieved in the Symmetry platform in 2020, we had two that were on target with our rental tone that we were expecting and we had in our development appraisals and three that were substantially ahead and the three that were substantially ahead were, you know, really a long way ahead so overall it was actually a 15.4% increase over the target rental tone.

Now we're not going to achieve that on every single building clearly, but it does demonstrate what you can achieve when you have got a lease expiry opportunity, and I think if we're seeing those sorts of numbers coming through in the market, we should expect to see ERV growth and therefore our rental growth accelerate, but, of course, we don't want a boom and bust situation here, what we are looking for in our market and we believe that we can deliver in the Big Box arena is attractive rental growth levels, which are outstripping inflation by a good degree and which are sustainable over the longer term and given the low-risk offer and the quality of our offer we believe that that's a really good juxtaposition to enjoy in the longer term period.

(TC: 00:48:30)
Ian Brown: Great, I think I'll just turn to the phones, so we have got a question from Paul May at Barclays, so Paul I'm going to open your line up you just need to unmute yourself and you should be able ask your question.

(TC: 00:48:48)
Paul May: Hi, guys, can you hear me okay?

(TC: 00:48:49)
Ian Brown: Morning, Paul, yes we can.

(TC: 00:48:48)
Paul May: Good good, great presentation, you know, firing on all cylinders, just a few specific questions from me, I have to do one at a time and we can just run through them quite quickly. Is it right that from H2 or

Q3'ish, sort of, time, all of the pre-let rental income will start to impact the PNL or start to benefit the PNL? Is that the right sort of timing?

(TC: 00:49:18)
Frankie Whitehead: We're at the backend of summer, Paul, for the final one to complete that's in the ground, yes.

(TC: 00:49:25)
Paul May: And is the total uplift going to be the £17.8 million of rent or is it the £19.1 million that's in the EPRA (mw 49.33) yield table, sort of, there seems to be a couple of figures for rent income.

(TC: 00:49:40)
Frankie Whitehead: It will be the £17.1 million, there's a bit of a timing difference between the two, but it'll be the £17.1 million.

(TC: 00:49:45)
Paul May: Sorry, last one now. What's the net uplift when adjusting for license fees currently being received?

(TC: 00:49:53)
Frankie Whitehead: So, broadly, you need to deduct from that around £6 million, which will be the Littlebrook contribution in 2020. So, you're down (TC 00:50:00) at £11.5 million as net contribution to adjusted earnings.

(TC: 00:50:09)
Paul May: Brilliant, and then also linked to rents, as of the end of December, what would be the gross rental income on the portfolio in terms of a start point moving forward because there were various figures in the presentation and in the reports, so just trying to get a start point as a guide?

(TC: 00:50:29)
Frankie Whitehead: So, parting rent for end of December, I believe, was around £166 million.

(TC: 00:50:40)
Paul May: Okay, brilliant. Moving on to, sort of, the future, obviously a huge opportunity coming through from the development pipeline, you mentioned to, sort of, cap expectations moving forward, what would you say is the timing of achieving the £238 million? It's probably going to be slightly more than that £238 million, once we get there, in terms of the rent opportunity. Are we still talking a, sort of, six to eight years from here or have things got longer or shorter in terms of given the demand in the market, as you mentioned?

(TC: 00:51:09)
Colin Godfrey: Well, we've added four sites, Paul, since we acquired Symmetry, so bearing in mind those sites are typically bolted to the back end of the timeline, so we're currently still talking about a ten-year time horizon ,but the majority of that is focused within the course of the next eight years. I mean, the joy of the Symmetry platform, of course, is that, you know, prior to our purchase of it, it had already enjoyed ten years of progression, if you like, and with each of those sites in varying degrees of state of readiness. So, we bought some land with planning, some that was just about to get planning, some that was a couple of years away and we've subsequently got planning, and I think we are ahead of our planning delivery targets.

So, if you like, it's like a pipeline, and each year more than one site will come out with the planning consent, and of course that brings us closer to the point where we can invest in infrastructure, we're close to the point

where we can capture those pre-let opportunities. We're reminding you that we have still got a number of sites where we've achieved planning consent and yet where we've yet to draw down the land because we are in control of the timing of that process, and what we are doing in the background there is looking at and dealing with infrastructure and also looking to bring on board and increase the level of occupational interest with the ideal that we can tie at least one pre-let up by the point that we then acquire the land or even part of the land because we often don't even need to acquire all of the land in one go we can draw it down in parcels.

(TC: 00:53:04)
Paul May: Thank you, and then finally just, I think you touched on this in the presentation, what was in the presentation, the funding of that opportunity, obviously quite a large investment required to achieve that, I think you've done a great job in transitioning the strategy towards the disposals that you've made and focusing on that capital recycling, you know, it would be great if that continues moving forward, but obviously minded by the fact you're now treading in a premium to asset value, and that's just the middle of time when equity has been called upon, and also with regard to the new ManCo ownership structure, and in terms of their focus, I presume their focus will be again to increase fees, being achieved from the operated platform. So, I just wondered how those discussions are going and what the thinking is and the, sort of, strategy moving forwards?

(TC: 00:53:59)
Colin Godfrey: Should we do a double act there, Frankie, and take that in reverse order. Look, I think the first thing to say is that the transaction with Aberdeen standard has absolutely no bearing on the strategy for Tritax Big Box, you know, we're here to do a job, it's something that we discuss in great depth with our board, we've got a clear strategy set out with the board. Yes, we've treaded the premium for a good while now we haven't raised any equity for the last couple of years, we think we've got a really good balance of levers at our disposal. I think, yes, we have successfully divested of some investments in the course of 2020, and we will look do so again. I think you will see those back ended this year because we need to be careful about the timing of that against the deployment of pre-lets coming in. And we typically get a bit of line-of-sight into those pre-lets coming forward. What we don't want to do is sell assets ahead of time because of course that will act as a drag to our income and we would just be sitting on cash which we're then not deploying, so you'll see us being careful about the timing of our disposals into the face of new opportunities coming through. Frankie, do you want to mention anything more on that?

(TC: 00:55:22)
Frankie Whitehead: I mean, just to put some colour on near-term capacity I suppose, you know, looking at the balance sheet at 30% medium-term guidance at between 30% and 35% in terms of that LTV position, round numbered somewhere between £300 million and £350 million worth of existing balance sheet capacity. And that's prior to overlaying any disposals that occur in 2021, so there is plenty in the tank in terms of existing capacity to finance the near-term.

(TC: 00:55:54)
Ian Brown: Great. Apologies, Paul, I inadvertently muted you there, but thanks very much, I will move on to Andrew Gill from Jeffries, so, Andrew, I'm going to unmute your line now.

(TC: 00:56:10)
Andrew Gill: Thank you very much, thanks very much for the presentation. I've just got two questions. On the development managing fee, given the strong demand in the sector, what are the key factors in deciding on which sites you're happy to develop for other investors? And you've got increasing experience on smaller and

speculative assets, are there opportunities within the portfolio outside of the land bank to add speculative developments on sites with low coverage?

(TC: 00:56:38)
Colin Godfrey: Thanks, Andrew. Look, I think the first thing is, you know, we look to acquire the best sites for ourselves and for our shareholders, the development management agreement arrangements we have in place pre-existed our acquisition of Symmetry, so whilst we can offer that service, it would be very selective. And, I mean, obviously there will be income that would be beneficial to our shareholders from that, but we're not going to do that at the expense of either distracting the team from the core job in hand. And that's essentially focusing on delivering value for our development platform in the assets that we will own. Turning to your second question, look, I think our platform, the way we see it, very crudely, is that about two thirds of the land is very well-suited to larger scale logistics assets, reminding you that it's becoming more and more difficult to find sites that are big enough in the right locations that don't require tens if not hundreds and hundreds of millions of pounds in infrastructure to bring forward and deliver on planning. So, they are really precious and, but we think about two thirds of that land is capable of delivering for larger scale buildings, and around one third is probably better suited to smaller scale, if you like, last mile delivery.

Sometimes as a consequence of the topography of the land, sometimes it's the consequences of the configuration of the site i.e. certain parts of the site you can't fit on a larger scale building so it naturally lends itself that way, but we do believe that there's value right the way across the logistics spectrum right the way from smaller scale, right the way up to the larger scale mega-logistics building. But we also expect to remain weighted towards the larger scale buildings in the longer-term because we see that there's a huge amount of benefit from those, I mean, if you look at the increase in demand of the market, larger scale logistics building over 500,000 square feet had been increasing their share of total take up year after year and there's a reason for that, it's because occupiers recognise the importance of these buildings, the economies have scaled so it benefits the cost savers and they can provide. And how they integrate so seamlessly and are needed with automation to drive the speed of reliability that consumers have come to expect from e-commerce deliveries.

(TC: 00:59:17)
Andrew Gill: Okay, that's great, thank you very much.

(TC: 00:59:22)
Ian Brown: Great, thanks, Andrew. The next question comes from Matthew Spirit at Peel Hunts, so, Matthew, I'm just going to unmute your line now, you should be able to ask your question.

(TC: 00:59:34)
Matthew Spirit: Thanks, and good morning guys, two questions from me, and apologies if these have already been covered. CapEx last year was just shy of £300 million, I think you talked about £250 million targeted for this year, what do you think the likely one is going forward beyond this year, do you think you can keep up that, sort of, pace of CapEx given the land bank that you've got to play with? (TC 01:00:00) And then following on from that, thinking about the land bank and as you progress through building out the schemes you've got and the control currently through Symmetry, are you looking at and are you indeed replenishes that land bank, so are you active in the market at the moment? Thank you.

(TC: 01:00:19)
Colin Godfrey: Thanks, Matt. We touched on this a little bit, but I will, sort of, re-emphasise and perhaps cover this in a bit more detail. Yes, the first thing is that in terms of run rate, we expect that to be picking up,

really, in 2022 onwards, you know, we do expect to get to somewhere close to 250 in 2021. A lot will depend upon the timing of pre-lets, depending on whether they fall this side of the year end or the other side of the year end, but there are some really good opportunities there for us. So, I think you can see they're growing in time rather than staying at exactly the same level in terms of that banding, you know, the band that's about £300 million. Just to remind you that there's the demand right now occupationally of four times the level of the run rate of supply over the last few years, so there's absolutely enough demand in the market that will drive that level in the fullness of time. So, I don't think we have got any concerns about the ability for the market to underpin that level of spend.

In terms of replenishing sites, I did mention a little bit earlier that we have added four sites to the portfolio since we acquired Symmetry, we will continue to look for new sites, but we're being really selective about what sites we're buying, we are really looking for value, and we're looking for sites that we're not going to be waiting ten years to be able to put a spade in the ground and start a vertical build on, so it's really opportunistically led and yes we will be looking to add more because that way we are creating value for this platform for the longer-term.

(TC: 01:02:22)
Matthew Spirit: Perfect, thanks, Colin.

(TC: 01:02:27)
Ian Brown: Great, brilliant, there are two further questions from the web chat. So, the first one comes from Julian Livingstone Booth (ph 01.02.33) at RBC. He's asking, 'Can you provide further colour on the timing of the rent reviews in 2021?'

(TC: 01:02:45)
Frankie Whitehead: One for me, Colin, should I have a go? I believe they are relatively well balanced in terms of timing throughout 2021, so nothing significant to factor in timing-wise. Broadly speaking, 50% of the reviews coming through are index linked, around a quarter of them are linked to open market value and the balance being fixed. So, that's the make up, you know, indexation was slightly dragging our performance in 2020 in terms of the like-for-like rental growth, obviously with the expectation that the inflation starts picking up. As the economy reopens, hopefully we will be benefiting from some of that.

(TC: 01:03:31)
Ian Brown: Great, and then the final question from Punem Lydia (ph 01.03.35) at Numes, so two questions here. 'Would it be possible to provide further colour on the extent of this occupier interest across 16 million square feet in terms of the nature of the tenants, whether this is primarily driven by existing tenants or new tenants?' So, a question about the composition of demand that we are seeing. The second question is, 'Is there opportunity to take advantage of investment appetite in the market and overshoot disposals beyond the current £125 million to £175 million target level?'

(TC: 01:04:14)
Colin Godfrey: Yes. Thank you very much for the question. Excuse me, I've got a frog in my throat, would you mind taking that Frankie?

(TC: 01:04:27)

Frankie Whitehead: So, the first one, in terms of the 16 million square feet, yes, we do regularly look at this, broadly speaking, and this is broad brush in terms of the occupier interest between current tenants and new tenants, it's 60/40 in favour of existing tenants, broadly speaking.

(TC: 01:04:49)
Colin Godfrey: Yes, you'll seen, for instance, this year we leased one new building to Ocado, an existing tenant, and we attracted another new tenant in the name of Apple for a TV studio operations you may have seen it in the press. So, I think it would be a good blend, I mean, there are clearly new names coming into the market, particularly in the e-commerce field, so I think you should expect to see that grow over time. In terms of appetite and rate of disposals, look, it's really a case of us flexing the disposals against the backdrop of the strength of the investment market to maximise returns. And, also, as I said earlier, to feed that capital in our development programme and to maximise efficiency of the capital, we want to make sure that we're not selling too far ahead of time. So, to some degree, it's going to be about the speed and the quality of the pre-lets coming though in our development platform that will dictate the rate of sales of our existing investment assets.

(TC: 01:06:01)
Ian Brown: Great, that concludes the questions that we've had at the moment, Colin, so I'll hand it back to you.

(TC: 01:06:08)
Colin Godfrey: Thanks very much, Ian. Well, look, to everyone who's taken the time to join and ask questions today and also to all of those that have supported the business over the course of the last twelve months, thank you very much. I hope that next time we get together it will be in person, it remains for me to say, look, have a great remaining part of your day and we look forward to catching up with you sometime soon, thank you very much for your time, bye-bye.