

9 June 2020

SEGRO plc

## TRADING UPDATE

SEGRO plc (“**SEGRO**” or the “**Company**” or the “**Group**”) today publishes a trading update for the period from 1 January 2020 to 8 June 2020. The Company has separately announced today that it is seeking to raise approximately £650 million of gross proceeds via a placing.

### David Sleath, Chief Executive, said:

“The Covid-19 pandemic has accelerated the adoption of technology and e-commerce across society. Alongside a renewed focus by many occupiers on the critical importance of best-in-class logistics supply chains, this is likely to help drive strong occupier and investor demand for modern, high-quality warehouses.

“SEGRO’s business continues to progress well, despite the uncertainty caused by the pandemic, with new lettings and pre-let development agreements at levels above our expectations at the beginning of the year. We are working constructively to support a small proportion of customers facing short-term cash flow challenges as a result of government lockdown measures.

“Our strong, primarily pre-let, development pipeline across the UK and Continental Europe reflects the demand from customers looking to grow. Our list of additional near-term pre-lets, which is approximately double the size of a year ago, and our well-located land bank mean we are well-placed to make further progress in the months ahead.”

### Highlights

- **Well established structural trends in adoption of technology and e-commerce are accelerating.** The data on e-commerce penetration during the current pandemic underpins the importance of SEGRO’s high quality, well located big box and urban warehouse portfolio: in the UK, e-commerce volumes in April represented 31 per cent of retail sales, 16 per cent higher than the previous month (source: ONS) and online grocery sales almost doubled, representing 13 per cent of the market, up from 7 per cent previously (source: Nielson). Similar trends have been observed across Continental Europe.
- **New lettings and pre-let development agreements across the Group are tracking ahead of pre-crisis expectations.** £20.9 million of headline rent has been contracted in the five months to 31 May 2020. This includes pre-let agreements equating to £9.7 million of headline rent, including £4.0 million in April and May, with significant further projects at advanced stages of negotiation or agreed subject to planning consent.
- **Continuing momentum in SEGRO’s high quality, environmentally sustainable, pre-let development pipeline.** Approximately £600 million of future development expenditure is in respect of projects under construction or in advanced negotiations.

- **The recent £203 million acquisition of Perivale Park, West London,** offers asset management opportunities to grow low average in-place rents alongside medium-term development potential in an area where SEGRO already has considerable expertise and knowledge of the local market and customer base.
- **Unchanged dividend policy.** SEGRO will continue to target a payout ratio of 85 to 95 per cent of Adjusted profit after tax, in line with the stated aim of delivering a progressive and sustainable dividend which grows in line with its underlying profitability. Having paid the 2019 final dividend of 14.4 pence, the Board currently intends to declare a 2020 interim dividend of 6.9 pence per share (H1 2019: 6.3 pence), reflecting its usual practice of setting the interim dividend at one-third of the previous full year dividend.
- **Strong balance sheet with long-term debt structure and high liquidity.** Pro forma LTV at 27 per cent as of 31 May 2020, an average debt maturity of 9 years and no major maturities before 2023.

## **SEGRO Centenary Fund**

Covid-19 has had wide-ranging implications for the communities in which SEGRO operates and the Company is working closely with local stakeholders to understand how they can best be supported. In April, SEGRO announced the formation of the SEGRO Centenary Fund which will see £10 million awarded to local community projects in the UK and Continental Europe over the next decade. The Fund was announced earlier than planned to allow it to support local communities hit hardest by the effects of government measures to combat the pandemic. Grants have been made from the Fund to approximately 51 charities and local projects, which has helped an estimated 25,000 people.

## **Operational Update**

SEGRO's business is progressing well in 2020 despite the Covid-19 pandemic. The entire SEGRO team has been operational throughout the crisis, working from home since early March, with full access to central systems and the communications network. None of the SEGRO workforce has been furloughed and the Company has not taken any government support.

Leasing momentum has been positive and is ahead of the Board's expectations set prior to the start of the pandemic. New lettings have been agreed on existing buildings, including those developed speculatively over the past year, and the Company has continued to capture reversionary potential from its portfolio: new headline rents on review and renewal so far in 2020 are approximately 13 per cent higher than previous passing rents (UK: +15.5 per cent, Continental Europe: +2.5 per cent). Negotiations on new pre-let agreements continue apace; no customer has withdrawn from any contracted pre-let discussions, and new opportunities have emerged over recent weeks. Pre-lets equivalent to £4.0 million of headline rent have been signed since mid-March, further increasing the near-term pipeline of pre-lets conditionally agreed which represents a potential £33.0 million of headline rent as at 31 May 2020, approximately twice as large as a year ago.

Vacancy remains low at 5.6 per cent (31 December 2019: 4.0 per cent), with 1.1 per cent of the increase since the year end due to recently completed speculative development. Customer retention has stayed high at 88 per cent.

The lockdown measures implemented by governments across Europe to combat the spread of the virus resulted in widespread disruption across many sectors of the economy. In some cases, this has impacted the operations and cash flows of SEGRO's customers, which has affected the level of rent

collected in the second quarter. As at 31 May 2020, 82 per cent of rent billed in respect of the second quarter of 2020 (including rent typically billed on a monthly basis in Continental Europe) had been collected or is expected to be paid shortly (UK: 83 per cent, CE: 79 per cent).

SEGRO has worked constructively to support customers facing genuine cash flow challenges by, in most cases, offering to reschedule rental payments. £15 million of rent, representing around 16 per cent of the rent that was due in respect of Q2 2020, has been deferred or is being reprofiled, the majority of which is due to be paid during this financial year or in 2021. £2 million of rent, representing around 2 per cent of the rent that was due in respect of Q2 2020, remains unpaid and is not currently subject to deferment negotiations. None of these customers has requested to return their space.

Takebacks so far this year are slightly above the normal annualised run rate at £6.6 million, in part due to a 5,000 sq m unit in a prime urban warehouse park in London which has recently been taken back from an insolvent customer in the hospitality sector who was already experiencing some financial distress prior to the start of the Covid-19 pandemic. Given the high quality of the space returned and the generally strong demand in this location, it is expected that the space will be re-let on terms similar to, or better than, the pre-existing lease.

Construction work on a number of developments was delayed by government lockdown measures but all sites are now operational and are expected to complete within 1-2 months of the original completion date. The Company is working with its contractors to ensure that all construction activity complies with social distancing guidelines and protects the safety of those working onsite.

### **Development Pipeline Update**

SEGRO is currently building, or has identified, development projects which require capital expenditure of £595 million to complete. Once fully let, these projects are expected to yield a return on total development cost (including land) of 6.8 per cent.

- At 31 May 2020, SEGRO had development projects approved, contracted or under construction totalling 702,100 sq m, representing £216 million of future capital expenditure and £40 million of annualised gross rental income (SEGRO share) when fully let. The projects are 74 per cent let or pre-let and should yield approximately 6.5 per cent on total development cost when fully let. All projects are due to complete in 2020 and 2021. (See Appendix 2).
- At 31 May 2020, SEGRO had a near-term pipeline of further pre-let development projects representing 666,600 sq m of space, equating to £33 million of additional rent and £379 million of additional capital expenditure. Assuming successful conclusion of negotiations and planning applications, these projects are expected to generate a yield on total development cost of approximately 7.1 per cent when complete. (See Appendix 3).
- In the period from 1 January 2020 to 31 May 2020, SEGRO acquired £184 million of land, most of which is associated with two new major UK big box warehouse parks in the prime logistics hubs of Coventry and Northampton. These two sites have planning consent for over 800,000 sq m of modern space, to be developed over a number of years.
- As at 31 May 2020, SEGRO had a further £62 million of land acquisitions exchanged (subject to securing planning permission) and £122 million under offer in its core markets.

## Financial Position

At 31 May 2020, Group gross debt, including SEGRO's share of debt within joint ventures, was £3,035 million and cash and cash equivalents totaled £81 million, resulting in net debt of £2,954 million.

SEGRO had an average debt maturity of 9 years as at 31 May 2020 and no major maturities before 2023. In May 2020, the maturity date of the Company's main €1 billion revolving credit facility was extended by one year to May 2025.

Based on 31 December 2019 property values and using the provisional net debt position at 31 May 2020 (adjusted to include SEGRO's share of joint venture interests, proportionally consolidated), the loan to value ratio was 27 per cent.

### CONTACT DETAILS FOR INVESTOR / ANALYST AND MEDIA ENQUIRIES:

	Soumen Das (Chief Financial Officer)	Tel: +44 (0) 20 7451 9110
SEGRO	Claire Mogford (Head of Investor Relations)	Tel: +44 (0) 20 7451 9048
	Lizzie Humphreys (External Communications Manager)	Tel: +44 (0) 20 7451 9129
FTI Consulting	Richard Sunderland / Claire Turvey / Eve Kirmatzis	Tel: +44 (0) 20 3727 1000

This Trading Update, the most recent Annual Report and other information are available on the SEGRO website at [www.segro.com/investors](http://www.segro.com/investors).

Neither the content of SEGRO's website nor any other website accessible by hyperlinks from SEGRO's website are incorporated in, or form part of, this announcement.

**Forward-Looking Statements:** This announcement contains certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performances, costs, revenues and other trend information. These statements are subject to assumptions, risk and uncertainty. Many of these assumptions, risks and uncertainties relate to factors that are beyond SEGRO's ability to control or estimate precisely and which could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Certain statements have been made with reference to forecast process changes, economic conditions and the current regulatory environment. Any forward-looking statements made by or on behalf of SEGRO are based upon the knowledge and information available to Directors on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and SEGRO's shareholders are cautioned not to place undue reliance on the forward-looking statements. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), SEGRO does not undertake to update forward-looking statements to reflect any changes in events, conditions or circumstances on which any such statement is based. Past share performance cannot be relied on as a guide to future performance. Nothing in this announcement should be construed as a profit forecast. The information in this announcement does not constitute an offer to sell or an invitation to buy securities in SEGRO or an invitation or inducement to engage in any other investment activities.

### Notes to editors:

#### ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT) and listed on the London Stock Exchange in the FTSE 100 index. It is a leading owner, manager and developer of modern warehouses and light industrial property with a portfolio comprising 7.8 million square metres of space (84 million square feet), valued at £12.2 billion as at 31 December 2019. Its assets are positioned strategically at locations in the UK across London and the South-East and Midlands regions, while in Continental Europe it has developments in France, Germany, Italy, Poland, Spain, The Netherlands and the Czech Republic.

For 100 years SEGRO has been creating the space that enables extraordinary things to happen. From modern big box warehouses, used primarily for regional, national and international distribution hubs, to urban warehousing located close to major population centres and business districts, it provides high-quality assets that allow its customers to thrive.

## Appendix 1: Leasing data

		5 months to 31 May 2020	5 months to 31 May 2019	12 months to 31 Dec 2019
Take-up of existing space <sup>2</sup> (A)	£m	5.1	5.3	13.2
Space returned <sup>3</sup> (B)	£m	(6.6)	(3.3)	(11.0)
<b>NET ABSORPTION OF EXISTING SPACE (A-B)</b>	<b>£m</b>	<b>(1.5)</b>	<b>2.0</b>	<b>0.7</b>
Other rental movements (rent reviews, renewals, indexation) <sup>2</sup> (C)	£m	3.5	4.6	8.3
<b>RENT ROLL GROWTH FROM EXISTING SPACE</b>	<b>£m</b>	<b>2.0</b>	<b>6.6</b>	<b>9.0</b>
Take-up of developments completed in the period — pre-let space <sup>2</sup> (D)	£m	5.6	20.1	24.3
Take-up of speculative developments <sup>2</sup> (E)	£m	4.3	4.3	9.7
<b>TOTAL TAKE UP<sup>2</sup> (A+C+D+E)</b>	<b>£m</b>	<b>18.5</b>	<b>34.3</b>	<b>55.2</b>
Less take-up of pre-lets and speculative lettings signed in prior periods <sup>2</sup>	£m	(7.3)	(20.3)	(30.3)
Pre-lets and lettings on speculative developments signed in the period for future delivery <sup>2</sup>	£m	9.7	13.8	41.5
<b>RENTAL INCOME CONTRACTED IN THE PERIOD<sup>2</sup></b>	<b>£m</b>	<b>20.9</b>	<b>28.3</b>	<b>66.4</b>
Take-back of space for redevelopment	£m	(0.3)	0.0	(0.7)
		<b>31 May 2020</b>	<b>31 May 2019</b>	<b>31 Dec 2019</b>
Pre-let developments in advanced discussions (“Near-term development pipeline”)				
Potential future rent		33.0	17.1	20.0
Capital expenditure to complete		379.0	145.0	205.0

1 All figures reflect exchange rates at the end of each period and include joint ventures at share.

2 Annualised rental income, after the expiry of any rent-free periods.

3 Annualised rental income, excluding space taken back for redevelopment.

## Appendix 2: Current development pipeline by asset type and geography

	Area square metres (at 100%)	Potential gross rent £m	SEGRO share		
			Cost to complete £m	Rent secured £m	Rent yet to be secured £m
<b>UK</b>					
Urban warehousing	61,460	8.9	40.2	4.6	4.3
Big box warehousing	37,699	2.4	2.9	2.4	-
Other	11,148	2.8	13.5	2.5	0.3
	<b>110,307</b>	<b>14.1</b>	<b>56.6</b>	<b>9.5</b>	<b>4.6</b>
<b>Continental Europe</b>					
Urban warehousing	75,135	6.1	49.6	2.1	4.0
Big box warehousing	486,843	18.9	107.4	17.2	1.7
Other	29,854	1.2	2.3	1.2	-
	<b>591,832</b>	<b>26.2</b>	<b>159.3</b>	<b>20.5</b>	<b>5.7</b>
<b>Total</b>					
Urban warehousing	136,595	15.0	89.8	6.7	8.3
Big box warehousing	524,542	21.3	110.3	19.6	1.7
Other	41,002	4.0	15.8	3.7	0.3
	<b>702,139</b>	<b>40.3</b>	<b>215.9</b>	<b>30.0</b>	<b>10.3</b>

### Appendix 3: Near term development pipeline by asset type and geography

	Area square metres (at 100%)	SEGRO share	
		Potential gross rent £m	Cost to complete £m
<b>UK</b>			
Urban warehousing	23,704	3.6	21.6
Big box warehousing	64,508	5.1	42.6
	<b>88,212</b>	<b>8.7</b>	<b>64.2</b>
<b>Continental Europe</b>			
Urban warehousing	57,935	6.0	57.9
Big box warehousing	514,970	17.3	246.4
Other	5,440	1.0	10.5
	<b>578,345</b>	<b>24.3</b>	<b>314.8</b>
<b>Total</b>			
Urban warehousing	81,639	9.6	79.5
Big box warehousing	579,478	22.4	289.0
Other	5,440	1.0	10.5
	<b>666,557</b>	<b>33.0</b>	<b>379.0</b>