Hammerson

Agreed Disposal of Value Retail

Investor presentation

22 July 2024

BULLRING, BIRMINGHAM

Transforms Hammerson to accelerate strategy and enhance returns

1 Sale of overweight, non-controlling and dilutive interest in Value Retail

c.£600m cash proceeds

- Attractive price for complex structure
- Clean exit
- 24x 2023 EBITDA(1)
- Implied cash yield of c.3.4%(2)

Unlocks value from 42% of the Group's total portfolio

- 5-year average of c.2% cash yield(3) for Hammerson with no synergies with the core operating portfolio
- 10-year levered IRR of 13%
- Resulting post disposal NTA of 39p

Timing of disposal favourable due to improving market conditions

- Attractive redeployment opportunities available at higher yields

2 Proceeds deployed to strengthen balance sheet, invest for growth and enhance distributions

Significant and immediate deleveraging

- Near-term maturities remain covered until 2027
- LTV 23%
- 5.1x ND:EBITDA(4)

Reinvestment into higher yielding opportunities with stronger returns

- Focus on JV consolidations and existing asset enhancement
- Selectively progress adjacent opportunities and capital light pre-developments

Returning cash to shareholders

- Share buyback of up to £140m(5)
- Enhanced payout ratio for ordinary dividends of c.80-85%

3 Accelerates strategic and financial delivery to create value

Entire portfolio now consists of leading city centre destinations

- Builds on momentum and three-year track record
- Rents rebased; growth potential

Driving rental and earnings growth

- Repurposing space, optimising brand mix, and reducing vacancy to generate leasing tension
- Investing for growth
- Lean and scaleable platform to drive operating leverage

Expected c.10% annualised TAR (assuming stable yields)

- Maintain commitment to sustainable capital structure and IG credit rating with ND/EBITDA 6-8x and LTV 30-35% 'through the cycle'

Notes:
1. Based on implied Hammerson Enterprise Value of £1.5bn at share and FY23 EBITDA
2. Based on last 5-year average of £20.3m distributions and implied NAV of £600m
3. Last 5-year average of £20.3m
4. Pro-forma, on a proportionally consolidated basis, and annualised net debt/EBITDA including disposals of Union Square and O'Parinor
5. c.10% of pre-announcement market capitalisation

Sale of overweight, yield-dilutive, non-controlling interest in Value Retail for cash proceeds of c.£600m

Value Retail Key Metrics (Hammerson Group Share)

As of Dec-23 (Last Reported)

Adjusted Earnings	£32m
EPRA NTA	£1,194m
Earnings yield on NTA	2.7%
Cash yield on NTA(1)	1.7%

Disposal metrics

2023 EV/EBITDA (based on Price)(2)	24x
Exit cash yield(3)	c.3.4%
Cash proceeds to Hammerson	€705m / c.£600m(4)
EV / discount	£1,540m/ 24%(5)

- **Has been treated as non-core since May 2023 due to:**
  - Limited information rights and governance
  - Low earnings and dividend yield
  - No synergies with operating portfolio
  - Highly complex ownership structure
  - Significant capital tied up
- **Timing of disposal favourable given current redeployment opportunities and improving market conditions**

Notes (see appendices for supporting calculations):
1. Last 5-year average of £20.3m
2. Based on Hammerson Enterprise Value of £1.5bn at share and FY23 EBITDA
3. Based on last 5-year average of £20.3m distributions and cash proceeds of £600m
4. Based on closing GBP/EUR rate of 1.179 (30.6.24)
5. Implied Hammerson IFRS GAV share adjusted for participative loans, based on closing GBP/EUR rate of 1.179 (30.6.24)

Build on track record of value creation in core city centre destinations

STRONG HAMMERSON 3 YEAR TRACK RECORD: FY20 – FY23

Portfolio realigned to core city centre estates	○ £950m of disposals: 4% discount to book
Robust and sustainable capital structure	○ -46% reduction in net debt[1] ○ 32%/43% reduced LTV (headline/FPC)[1]: (40%/46% at FY20) ○ Lower net debt:EBITDA[1] of 8.1x (14.1x at FY20)
Lower gross admin costs and increased capability	○ 24% lower, with guidance of a further 10% in FY24, expected >30% reduction since 2020 ○ Net headcount reduction of 68%; added new capabilities to be fit for future, e.g. placemaking, urban regeneration, marketing and data mining
Long term relationships with occupiers; rents rebased	○ £130m Total Leasing Value[2]: strong occupier demand ○ Built enduring relationships with best-in-class brands ○ £179m Flagship Passing Rent at share; Lfl Passing Rent +3.3% ○ Leasing consistently ahead of ERV and previous passing since FY21
£100m core capex[3] invested into accretive projects	○ Over £50m[2] invested into Bullring and Dundrum repositionings, generating IRRs of >20%
Return to cash dividend	○ Payout ratio 60-70%

BULLRING REPOSITIONING

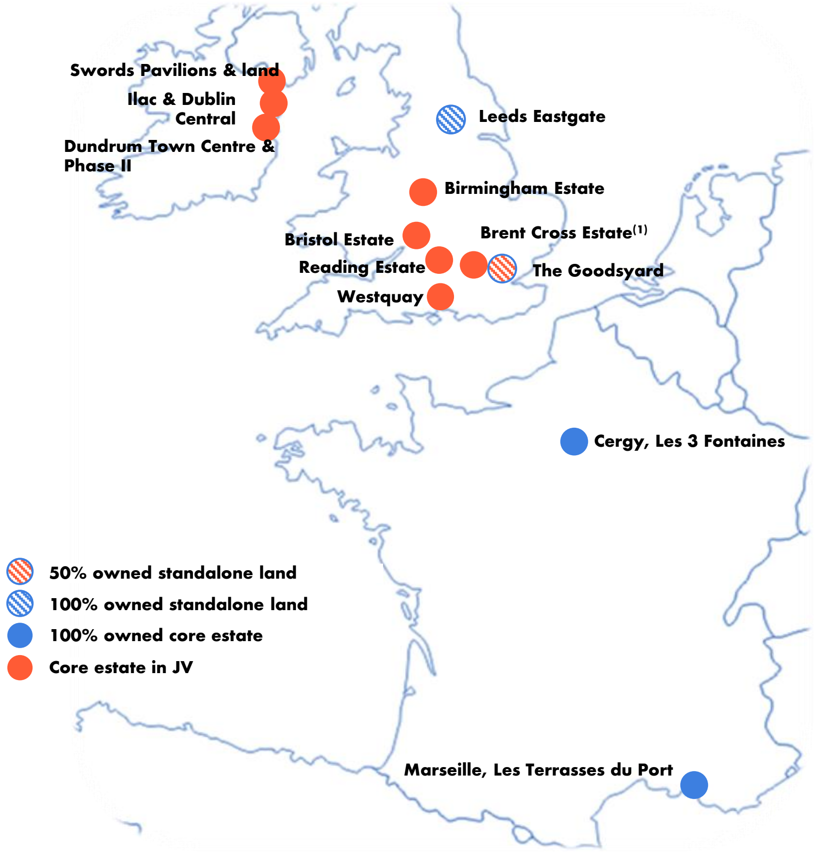
DUNDRUM REPOSITIONING

Platform now positioned for accelerated growth and value creation

Notes:
1. Pro forma for disposal of Union Square
2. At 100%
3. Excludes tenant incentives

The repositioned business has a unique portfolio of city centre destinations and land with growth potential

HAMMERSON'S POST-VALUE RETAIL GEOGRAPHIC FOOTPRINT



HAMMERSON'S REPOSITIONED PORTFOLIO

- Ten core city centre destinations
- 93% of destinations A rated by Green Street, remainder B+[2]
- c.80 acres of adjacent and standalone land with potential for around 7,000 residential units

Hammerson's portfolio (FY23)

£208m *GRI*	**11m sq. ft** *Lettable space*	**96%** *Occupied[3]*
c.1,500 *Occupiers*	**£3.6bn** *in retail sales[4]*	**c.180m** *visitors per annum[5]*

UK[6]	France[6]	Ireland[6]
£742m *GAV* *Yield 7-9%*	£1.0bn *GAV* *Yield c.5%*	£630m *GAV* *Yield c.6%*
AUM £1.5bn	AUM £1.0bn	AUM £1.3bn

Notes
1. c.41% owned/control
2. Source: Green Street, June 2024, at 100%
3. Flagships, excluding Cergy still in lease up; 95% including Cergy
4. Inclusive of VAT, 2023
5. Source: Shoppertrak/Hammerson, 2023
6. Flagship at FY23, UK pro forma for disposal of Union Square. Yield reflects NEY

Consistent and disciplined approach to capital allocation

Stable and resilient capital structure: IG credit rating
Sustainable cash dividend
Total return focus
Required returns > cost of capital
Remain opportunistic on capital deployment

SOURCES

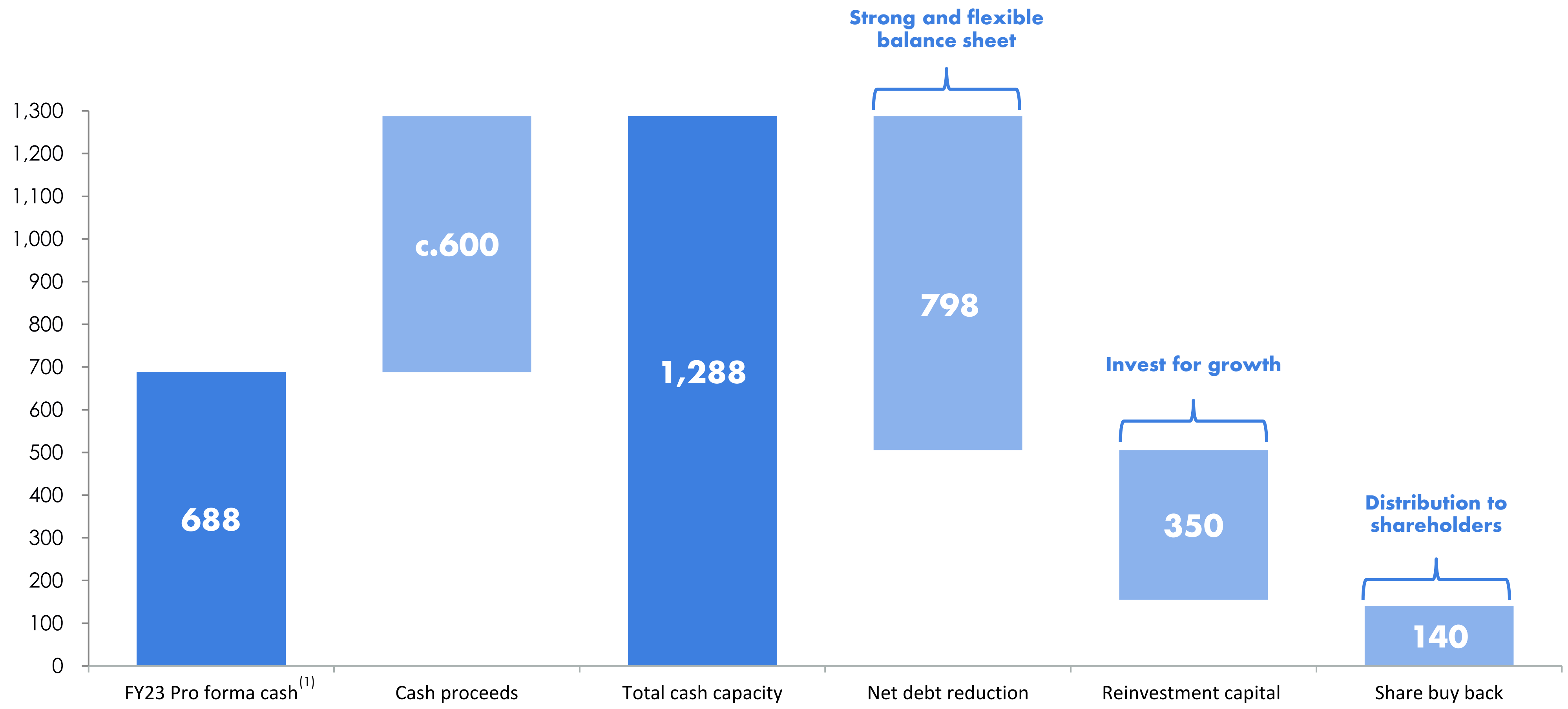
- Sustainable cash flow
- Disposals

USES

- Strengthen the Group's balance sheet: debt reduction; refinancing
- **Investment for Growth and Value Creation**
  - Organic investment for growth and value creation in Group's core portfolio
  - Consolidate ownership in core assets and adjacent markets
  - Accelerate value realisation from the Group's strategic land
- **Environmental, Social, Governance**
- Enhance distributions to shareholders

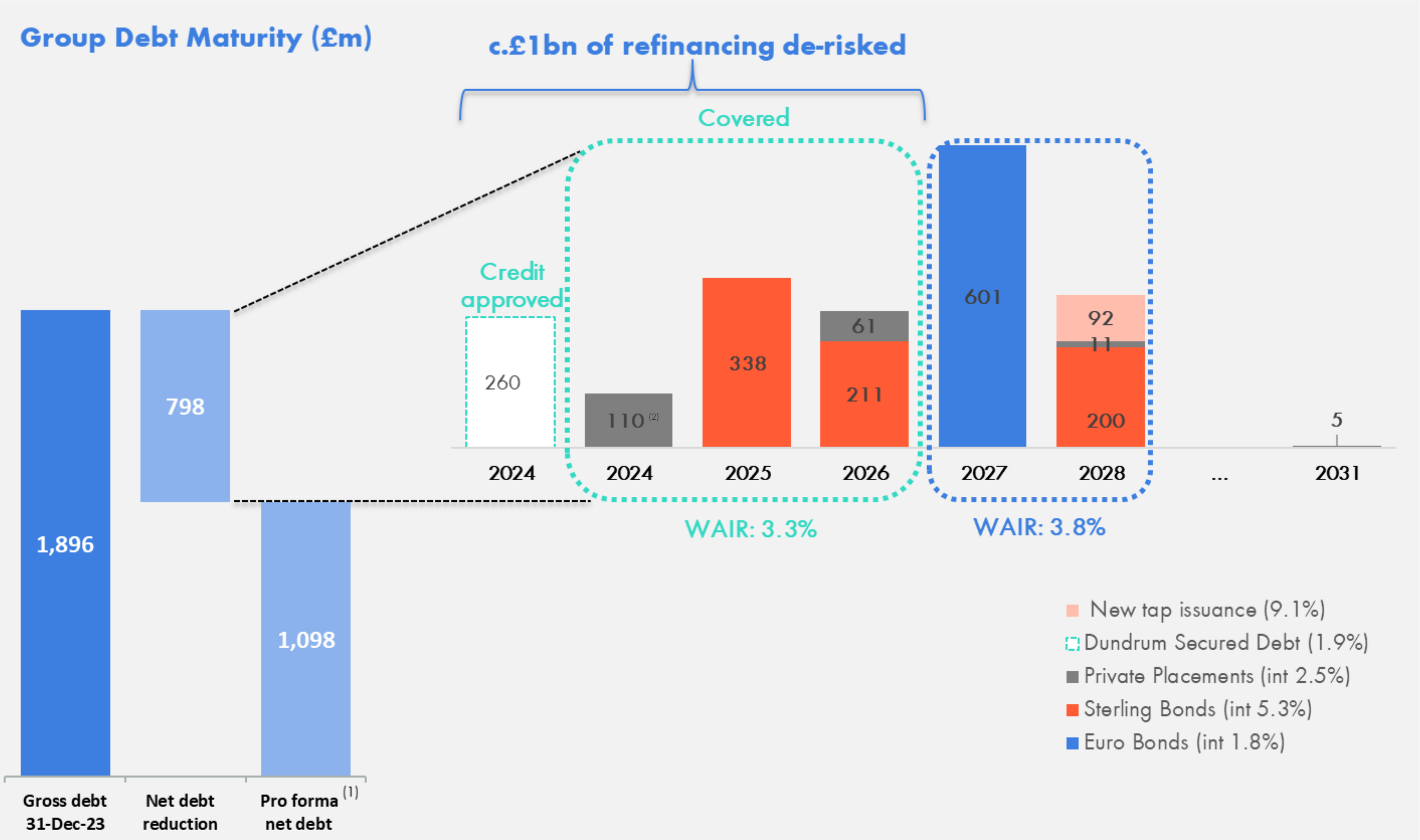
Disposal is transformational to accelerate strategy, value creation and enhance returns

Proceeds supplement existing cash position to give a strong and flexible balance sheet, invest for growth and enhance distributions to shareholders (£m)



Notes:
1. Pro forma for sale of USQ and O'Parinor

Debt maturities covered until 2027 with low weighted average interest rate until 2028



Notes:
1. Indicatively assuming timely reinvestment of proceeds and completion of share buy back
2. Repaid in January and June 2024

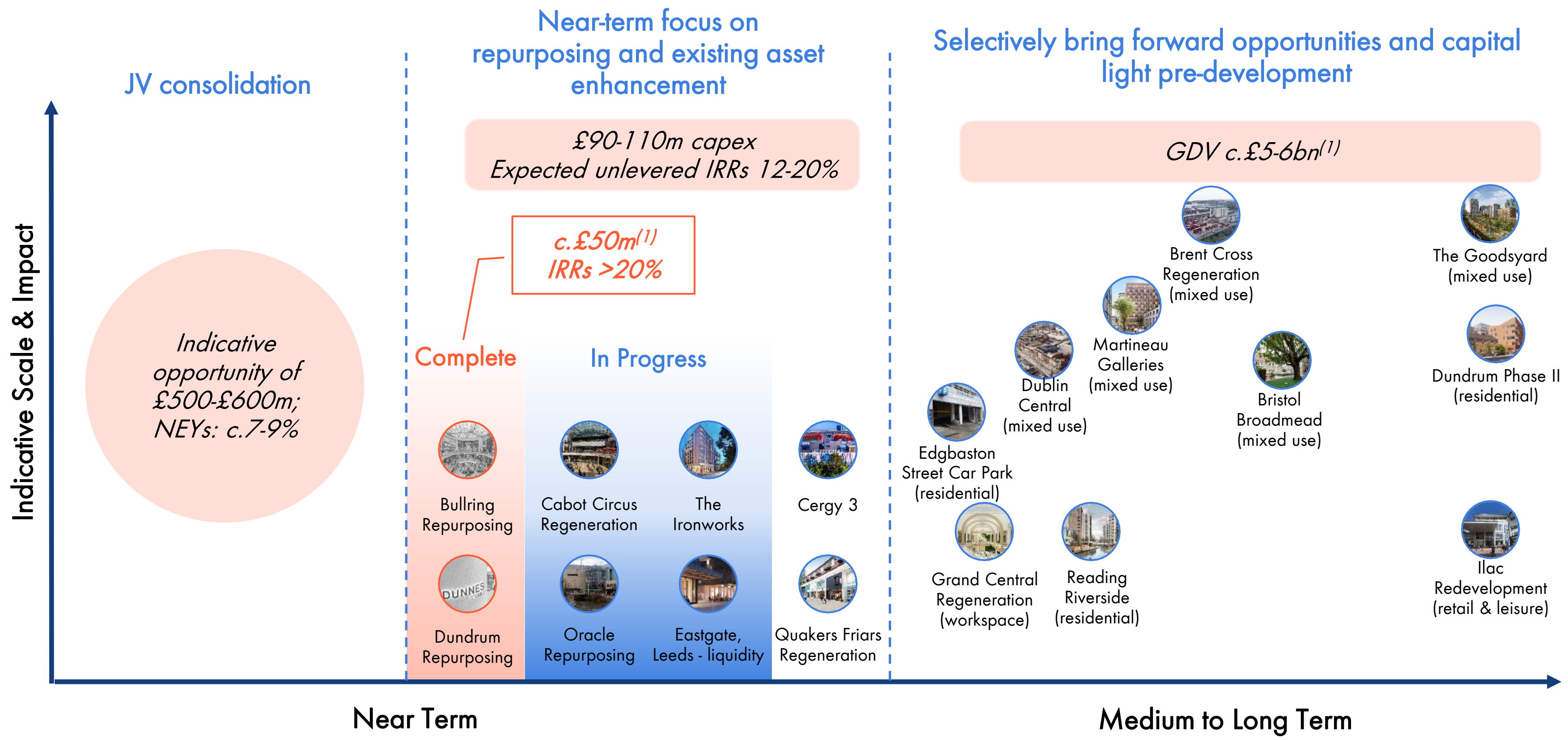
Attractive and sizeable pipeline of opportunities in the existing portfolio for growth and value creation

ASSET REPURPOSING AND EXISTING ASSET ENHANCEMENTS

Ability to rotate the low yielding Value Retail stake into higher yielding opportunities, with **£350m allocated to reinvestment**

Attractive pipeline of near, medium and long-term opportunities, in addition to potential JV consolidations

Hammerson will deploy its capital selectively and opportunistically to **maximise returns to shareholders**



Notes:
1. At 100%

Clearly identified combination of existing and new opportunities to drive growth and returns

For FY24, earnings outlook in line with market consensus

Existing Portfolio	+	New Opportunities	=	Medium-Term Financial Framework[1]
Portfolio • Reduce vacancy • Improve brand mix • Create leasing tension • Repurpose obsolete/under-utilised space		**Portfolio** • Consolidate JV • Exploit adjacent opportunities • Deploy light pre-development capital		**GRI growth: 4-6% CAGR** **EPS growth: 6-8% CAGR**
Financial • Increase ERVs and property returns • Focus on lean and scalable platform • Drive operating leverage		**Financial** • Drive operating leverage • Increase dividend payout ratio		**DPS growth: 6-8% CAGR** **ND:EBITDA 6-8x** **LTV 30-35%** Annualised TAR: c.10% *(assuming stable yields)*

Notes:
1. Indicatively assuming timely reinvestment of proceeds and completion of share buy back. Outcomes for shorter reporting periods will be highly dependent on activity levels and prevailing market conditions, with variances across different components of the portfolio.

Disposal of Value Retail enables enhanced shareholder returns

Shareholder returns

Share buy back

- On market share buy back of up to £140m
- c.10% of pre-announcement market capitalisation[1]

Ordinary dividend

- Ordinary dividend payout ratio enhanced from 60-70% to 80-85% of adjusted earnings
- Brings Hammerson in line with UK REIT peers

Notes:
1. Three-month average

Timetable and next steps

Transaction is a Class 1 at the date of announcement:

- Disposal will not require shareholder approval as the amended UK Listing Rules come into effect on 29 July 2024 as announced by FCA on 11 July 2024.
- 1 for 10 share consolidation to be executed prior to commencement of share buy back.
- Capital reduction to reduce the Company's share premium to increase distributable reserves.
- Circular convening a general meeting to be published in due course.
- The transaction will be subject to customary anti-trust approvals.
- Transaction is expected to complete in H2 2024.

Notes:
1. As at 6 June 2024

Summary: sale of Value Retail unlocks Hammerson's potential

1. Transformational £1.5bn transaction generating cash proceeds of c.£600m

2. Proceeds deployed to strengthen balance sheet, invest for growth and enhance distributions

3. Build on our track record and momentum to accelerate strategic and financial delivery to create value

= Hammerson is a retail-anchored, specialist cities business well positioned for growth and value creation

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Appendices

LES TERRASSES DU PORT

Appendices: Key Value Retail financials, key metrics and terms of sale

Income Statement	ARA[1]		2023 £m
GRI	pg.152		162
NRI	pg.152		115
Administration expenses	pg.152		(51)
EBITDA[2]	pg.152	(A)	64
Adjusted finance costs[3]			(29)
Taxation	pg.152		(3)
Adjusted Earnings	pg.152	(B)	32

Distributions received	pg. 188		74
5 year average distributions[4]		(C)	20

Balance Sheet			2023 £m
IFRS GAV	pg. 153		1,886
Debt	pg. 153		(794)
Other Balance Sheet items	pg. 153		23
IFRS NAV	pg. 153		1,115
Deferred Tax - 50% share	pg. 144		101
Fair value of interest rate swaps	pg. 144		(22)
EPRA NTA		(D)	1,194

GAV reconciliation € [5]	ARA	€m
IFRS GAV as reported £1,886m converted to €	pg. 153	**2,224**
Equity portion of Participative loans[6]		175
GAV (including equity portion of participative loans)	(E)	**2,399**

Enterprise Value [5]	ARA	€m
Gross Proceeds	(F)	705
Debt £794m converted to €	pg. 153	936
Secured debt held within the participative loans [6]		67
Cash and deposits [6]		(79)
Other balance sheet items (net) [6]		160
Intercompany balances[7]		27
Total Consideration	(G)	1,816

Enterprise Value		£m
Total Consideration £ equivalent[5]	(H)	1,540
Discount to GAV	(G)/(E)	-24%

Earnings and cash yield metrics		
Earnings yield on NTA	(B)/(D)	2.7%
Cash yield on NTA	(C)/(D)	1.7%

Key disposal metrics		
GAV price/discount		€1,816m / 24%
Cash proceeds[5]		€705m / c.£600m
2023 EV/EBITDA	(H)/(A)	24x
Exit cash yield	(C) /(F)	3.4%
Exit earnings yield	(B) /(F)	5.4%

Notes:
1. Published 2023 audited annual report and accounts
2. Profit from operations (pg. 152 of ARA) adjusted for tenant incentive amortisation
3. Adjusted finance costs reflect net finance costs of £30.7m (pg. 152 of 2023 ARA) less EPRA adjustments (pg. 142 of ARA) in relation to the change in fair value of derivatives (£11.1m loss) and change in fair value of participative loans (£9.1m gain)
4. Average of £23.4m distributions received in 2019 (pg. 200 of 2019 ARA) and £73.6m in 2023 (pg. 188 of ARA)
5. Sterling balances converted at £1:€1.179 (30 June 2024 exchange rate)
6. Enterprise value includes the underlying assets and liabilities associated with the participative loans which relate to the Group's sponsor share of Value Retail's Spanish Villages (pg. 153 of ARA) aggregated with the Group's share of other assets and liabilities as per (pg. 153 of ARA)
7. Intercompany balances reflect "Distributions" received in advance from Value Retail" of €29.6m (£25.1m pg. 156 of ARA) less €2m loan due from Value Retail (pg. 170 of ARA) which are included in the Disposal.

(1)

Appendices: LTV, Net debt:EBITDA & NTA per share pro formas

Credit Metrics

	Valuation £m	Net debt £m	EBITDA £m
Dec-23	3,891	1,326	166
Net Proceeds from disposals of:			
- Union Square	(121)	(111)	(15)
- O'Parinor[1]	(7)	(7)	-
- Coral	(1,115)	(600)	(32)
Pro forma	2,648	608	119

Pro forma LTV	23%	Pro forma Net debt:EBITDA	5.1x

Post disposal NTA per share

	NTA £m	No. of Shares	NTA per share
Dec 23 - as reported	2,542	5,002	0.51
Value Retail EPRA NTA	(1,194)		
Cash proceeds	600		
Pro forma EPRA NTA	1,948	5,002	0.39

Notes:
1. Sale of O'Parinor 3 in March 2024 a small 100% owned holding

Appendices: Proactive asset management is driving value: BRISTOL CASE STUDY

KEY VALUE CREATION INITIATIVES

Re-anchored destination with new uses and improved leisure offer

M&S CGI, FORMER HOF

F&B & LEISURE CGI

New vibrant 24/7 mixed use destination adjacent to Cabot Circus

CGI OF QUAKERS FRIARS

HIGHLIGHTS

Reinvigoration of Bristol

- Department store repurposing targeting to significantly enhance ERV and increase NRI, with an estimated Spring 2025 opening
- New reinvigorated upper level with new leisure offer including cinema
- Anticipate a c.£3m NRI pa uplift[1]
- Target IRR above cost of capital
- Target PoC >20%
- Cinema, leisure box and F&B unit with Glass Walk redevelopment

Quakers Friars repositioning

- Bringing best-in-class public realm with events and activation complemented by new tenants in new sectors
- Target IRR above cost of capital
- Target PoC >20%
- Working up design and planning consents in FY 24

1 Figures at 100%

Appendices: Proactive asset management is driving value: BIRMINGHAM CASE STUDY

KEY VALUE CREATION INITIATIVES

Re-anchored destination with new uses driving double digit NRI growth

Significant opportunity to repurpose Birmingham estate to mixed use destination

HIGHLIGHTS

Repurposing of former Debenhams and neighbouring units:

- Investment has transformed the destination and delivered strong returns:
- **c.£3m NRI pa uplift**[1]
- **c.50% IRR**[1]
- **£35m uplift in valuation**[2]
- **5% increase in ERVs**[2]
- M&S relocated from high street into the Bullring with a full-line store with food hall
- Introduced global retail brands e.g. Pull&Bear, Bershka, Nike, Footasylum
- Repurposed obsolete space and brought new diversified offerings and income: TOCA Social, Lane7, Sandbox VR, EL&N

DRUM

- Planning permission secured to transform former John Lewis department store into 200,000 sq ft class-leading F&B and workspace for c.2,000 people

Martineau Galleries

- Planning permission secured for new vibrant mixed-use development
- c.8 acres site for c.1,300 homes and 1.4m sq ft workspace

Edgbaston Car Park

- Redevelopment of site adjacent to Bullring into up to 800 homes pending planning permission

1. Figures at 100%
2. Uplift in ERVs and valuation at 31 December 2023

Appendices: Proactive asset management is driving value: DUNDRUM CASE STUDY

KEY VALUE CREATION INITIATIVES

Re-anchored destination with new uses driving double digit NRI growth

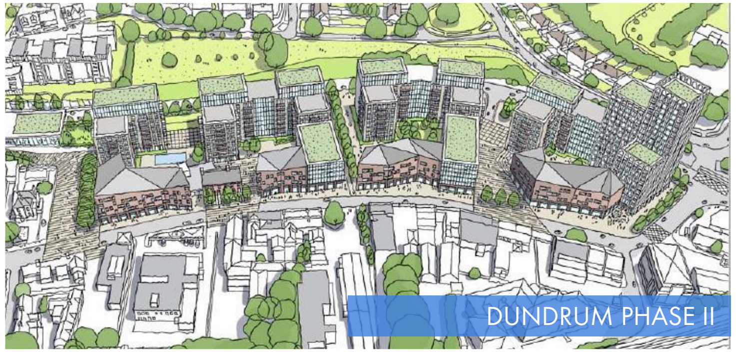

PENNEYS


NIKE


BROWN THOMAS

Significant opportunity to repurpose Dundrum estate to mixed use destination


IRONWORKS


DUNDRUM PHASE II

HIGHLIGHTS

Repurposing major space users, bringing new brands and upgrading offer and returns

- **c.£3.5m NRI pa uplift**[1]
- **c.20% IRR**[1]
- Re-anchoring of Dundrum including Penneys and Brown Thomas
- Introduced new concepts and offerings - Nike, Dunnes and Brown Thomas stores

The Ironworks

- Development of 122 apartments on existing estate, under construction expected to finish 2025
- **Expecting additional revenue of c.£2m** (largest 'occupier' on Dundrum Estate)
- Proof of concept: first of three residential opportunities on site

Dundrum Phase II

- Longer term opportunity for c.7 acre site which could be redeveloped into **800+ PRS units**

1 Figures at 100%
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Appendices: Proactive asset management is driving value: READING CASE STUDY

KEY VALUE CREATION INITIATIVES

Upgraded retail offer with new leisure offer in 140,000 sq.ft former dept. store


HOLLYWOOD BOWL


FORMER HOUSE OF FRASER

Progressing riverside redevelopment into mixed use scheme with c.220 homes


RIVERSIDE BTR

AERIAL VIEW OF READING ESTATE

HIGHLIGHTS

c.140,000 sqft. Department store repurposed to leisure and retail,

- Target IRR above cost of capital

Improved tenant line up include upsizing flagship brands

- Enhanced ERV growth expected
- Attracting target tenants for improved offer, including Hollywood Bowl, TK Maxx and a new upsized flagship

Digital activation opportunity enhancing public realm and driving returns

Riverside BTR redevelopment opportunity

- Repurposing former Debenhams into new mall space and c.220 apartments
- Target IRR above cost of capital
- Additional opportunity to redevelop current Vue cinema into mixed-use BTR development
- Combined with in-flight repurposing of department store (above) almost 2/3rd of existing scheme in scope for repurposing