



# INVESTMENT CASE



August 2022



# SEGR

UK FTSE 100 LISTED COMPANY

ESTABLISHED IN 1920

SEGRO IS THE UK'S LARGEST LISTED REIT

—

**9.7 MILLION**

SQ M OF SPACE

—

**8**

COUNTRIES

—

**£23.8 BILLION**

OF ASSETS UNDER  
MANAGEMENT

—

**1,462**

CUSTOMERS



**WE CREATE  
THE SPACE  
THAT ENABLES  
EXTRAORDINARY  
THINGS  
TO HAPPEN**

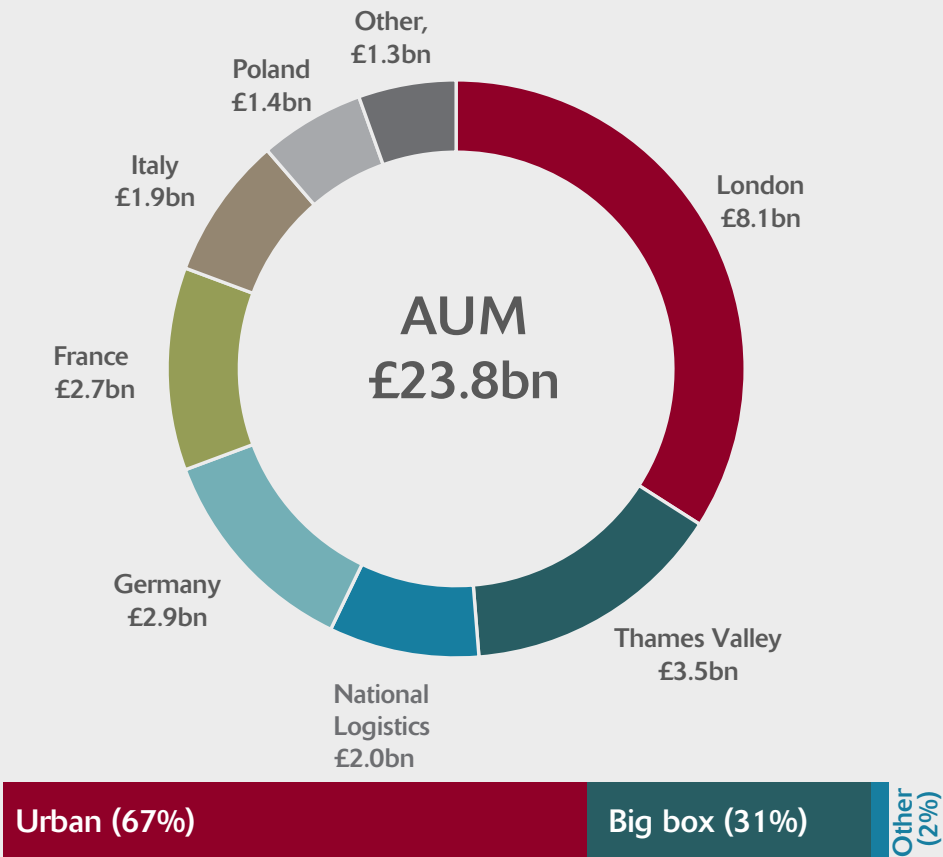


# SEGRO INVESTMENT CASE



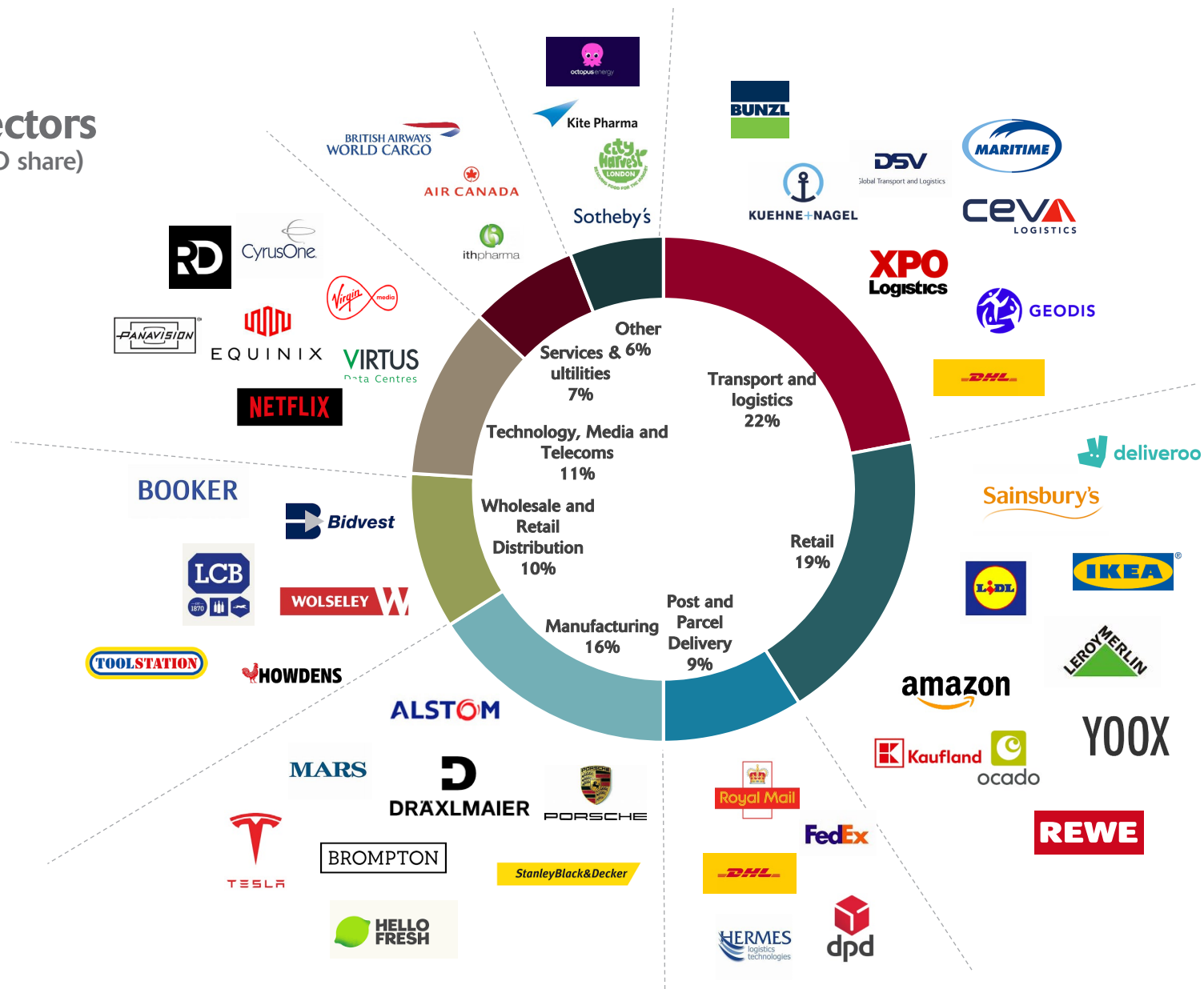
# PRIME MODERN PORTFOLIO HEAVILY WEIGHTED TO URBAN MARKETS

Portfolio split by geography and asset type  
(at 30 June 2022)



# A VERY DIVERSIFIED AND GROWING CUSTOMER BASE

Customer sectors  
(headline rent, SEGRO share)



1,462 customers

Top 20 customers =  
32% of total group  
headline rent

No single customer  
> 7% of total group  
headline rent

# URBAN AND BIG BOX WAREHOUSES – COMPLEMENTARY ASSET TYPES

## Urban warehouses (67%)

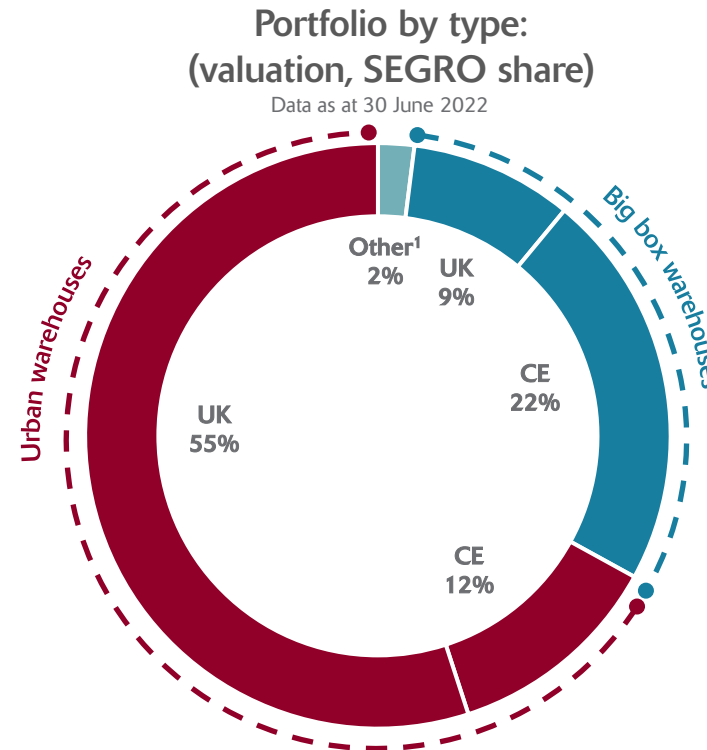
- Smaller units, generally <10,000 sq m
- Diverse range of uses (including 'last mile' delivery and datacentres)
- Increased demand as a result of population expansion and growth of the digital economy
- Development highly restricted by declining land availability
- Lower net income yields, greater asset management potential
- Highest rental growth prospects

Future performance mainly driven by income yield and rental growth

## Big boxes (31%)

- Larger units, generally over 10,000 sq m
- Mainly used for bulk storage and distribution of goods
- Increased demand as a result of online retail and supply chain optimisation
- Higher availability of development land but development constrained by planning/ zoning challenges
- Higher net income yields, lower management intensity
- Lower rental growth prospects

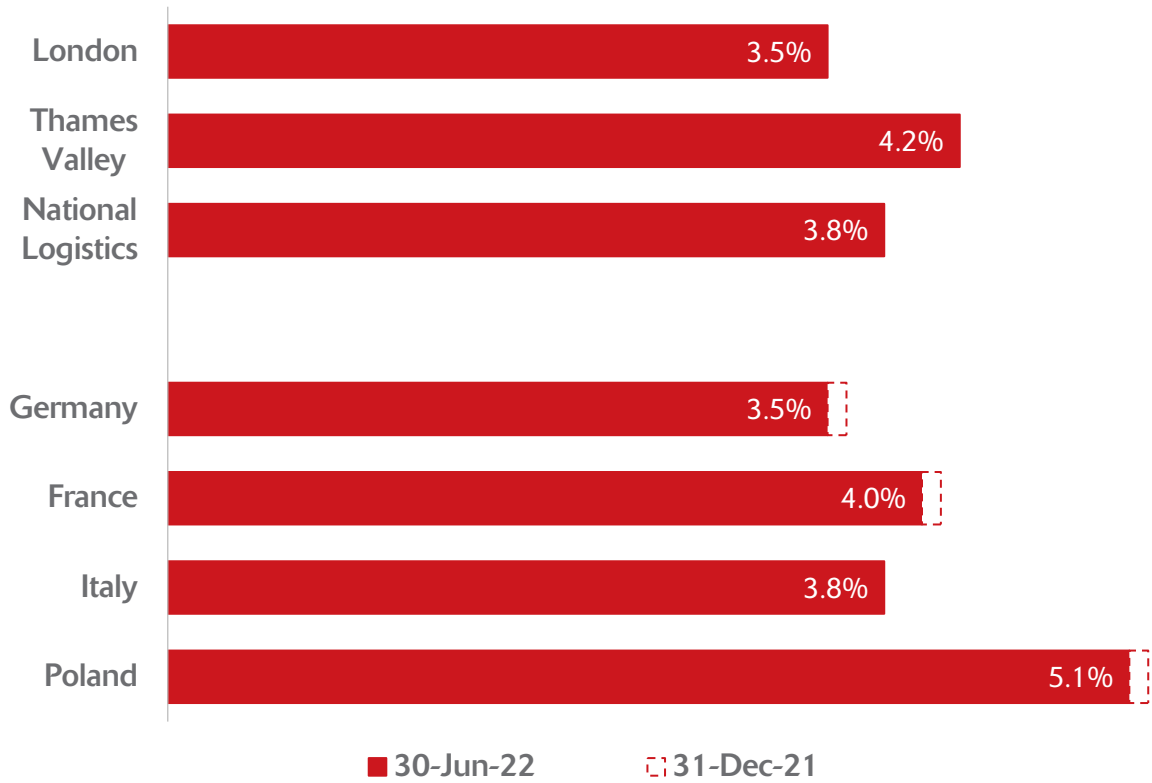
Future performance mainly driven by income yield, JV fees and development gains



# SEGro PORTFOLIO YIELD AND RENTAL GROWTH PROFILE

Property yield<sup>2</sup>: 3.8%

31 December 2021: 3.8%



6 month ERV growth: 5.9%

H1 2021: 2.8%

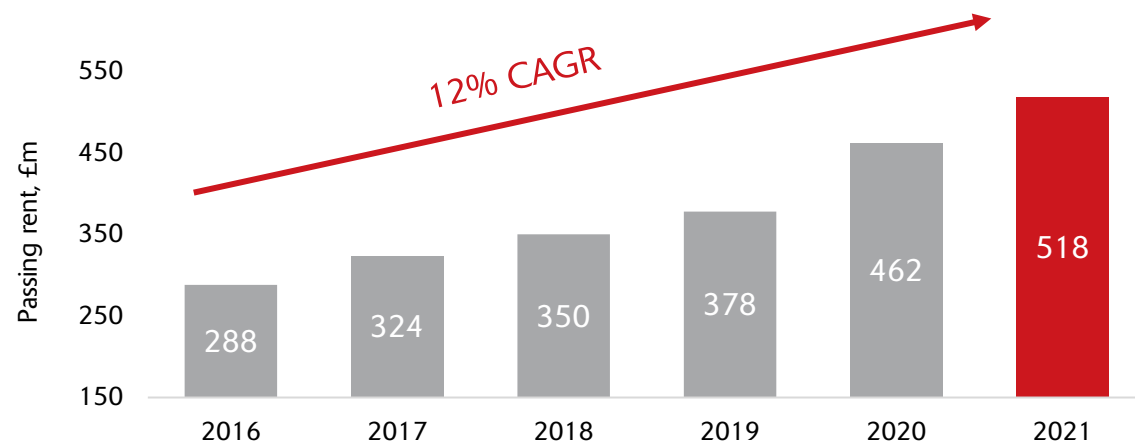
+6.3%	UK: +7.3%
+9.8%	
+7.0%	
H1 2021: +3.6%	

+3.8%	Cont. Eur: +3.6%
+3.2%	
+1.8%	
+4.6%	
H1 2021: +1.5%	

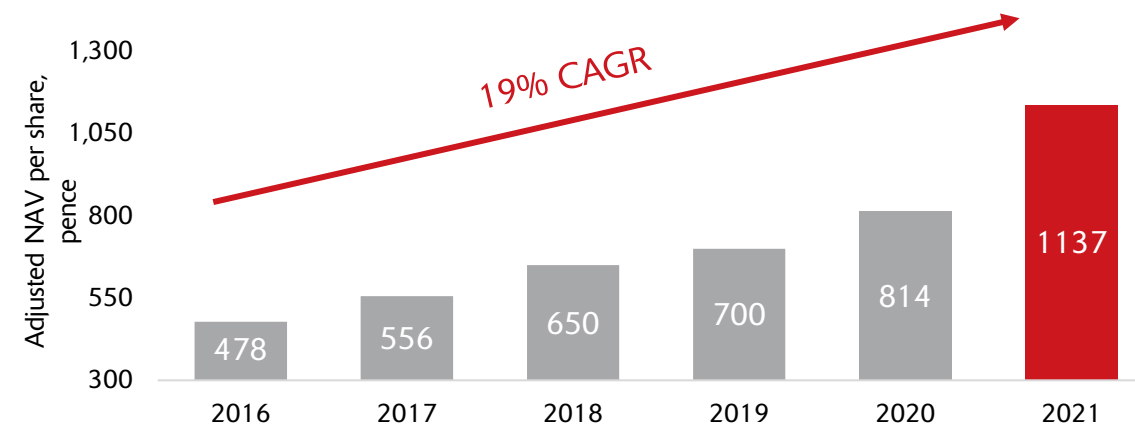


# CONSISTENTLY DELIVERING STRONG RETURNS

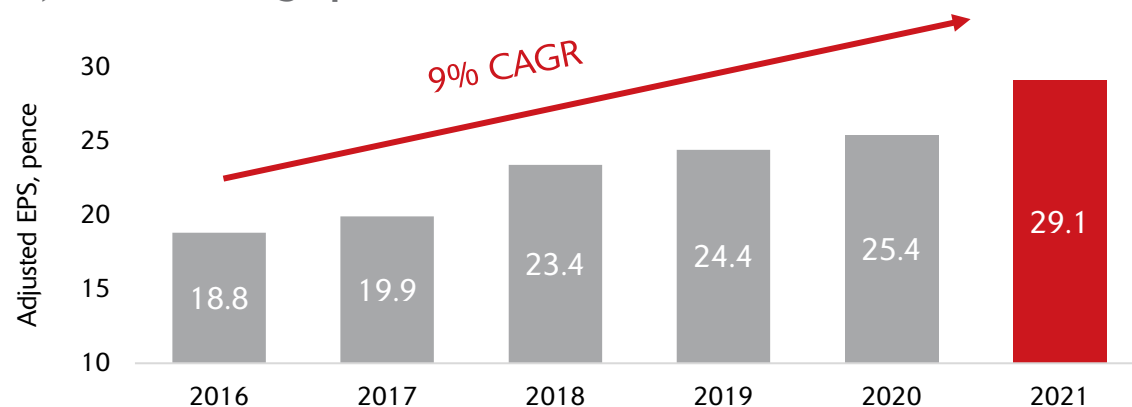
## Passing Rent



## Adjusted NAV<sup>1</sup> per share

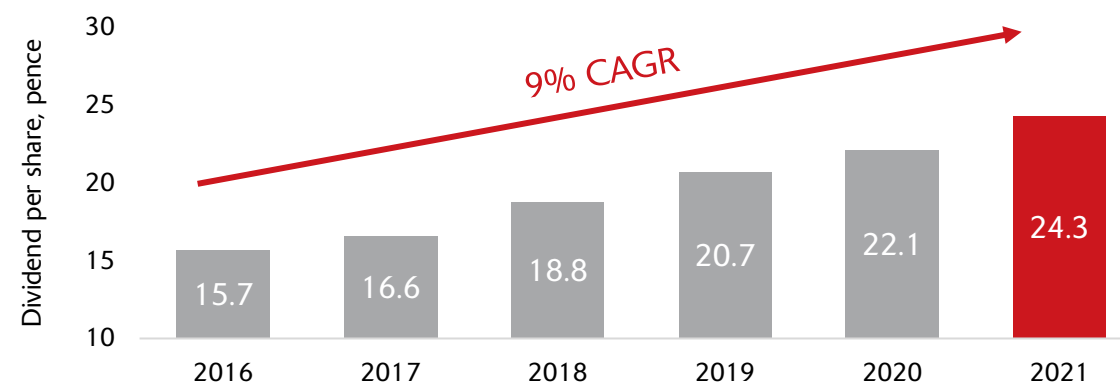


## Adjusted earnings per share



## Dividend per share

(Distribution policy of 85-95% of full year adjusted earnings)

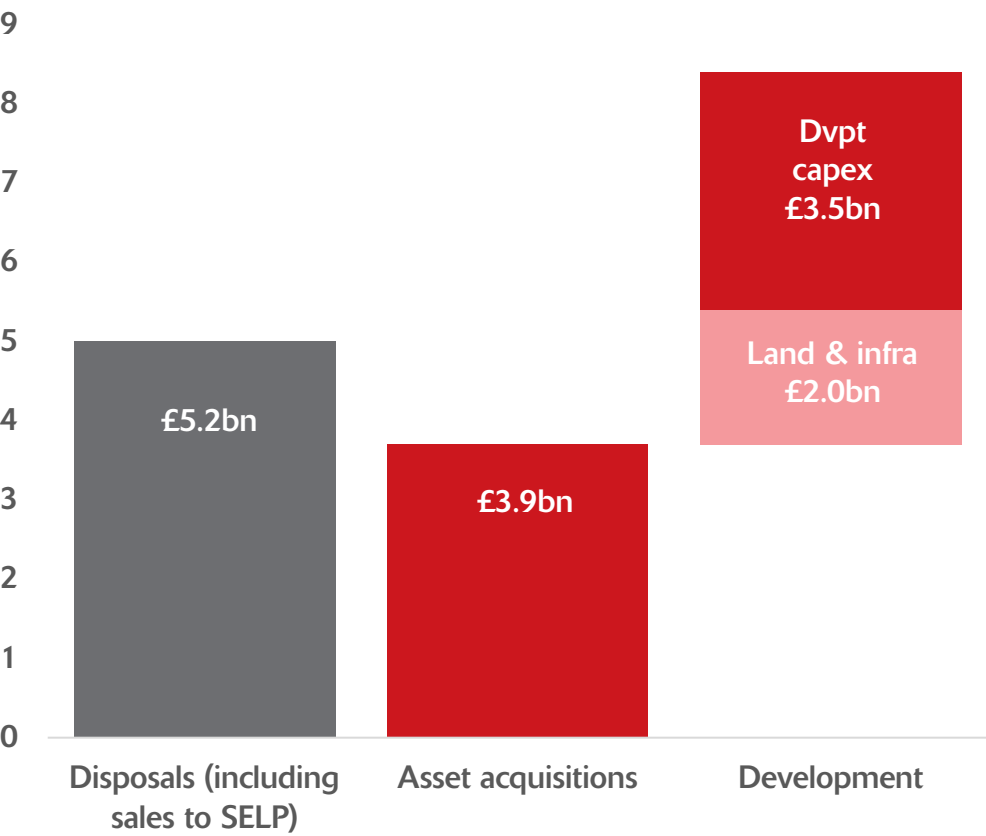


# DISCIPLINED CAPITAL ALLOCATION KEY TO OUR STRATEGY

Our goal is to be the leading owner-manager and developer of industrial properties in Europe and the partner of choice for our customers and other stakeholders

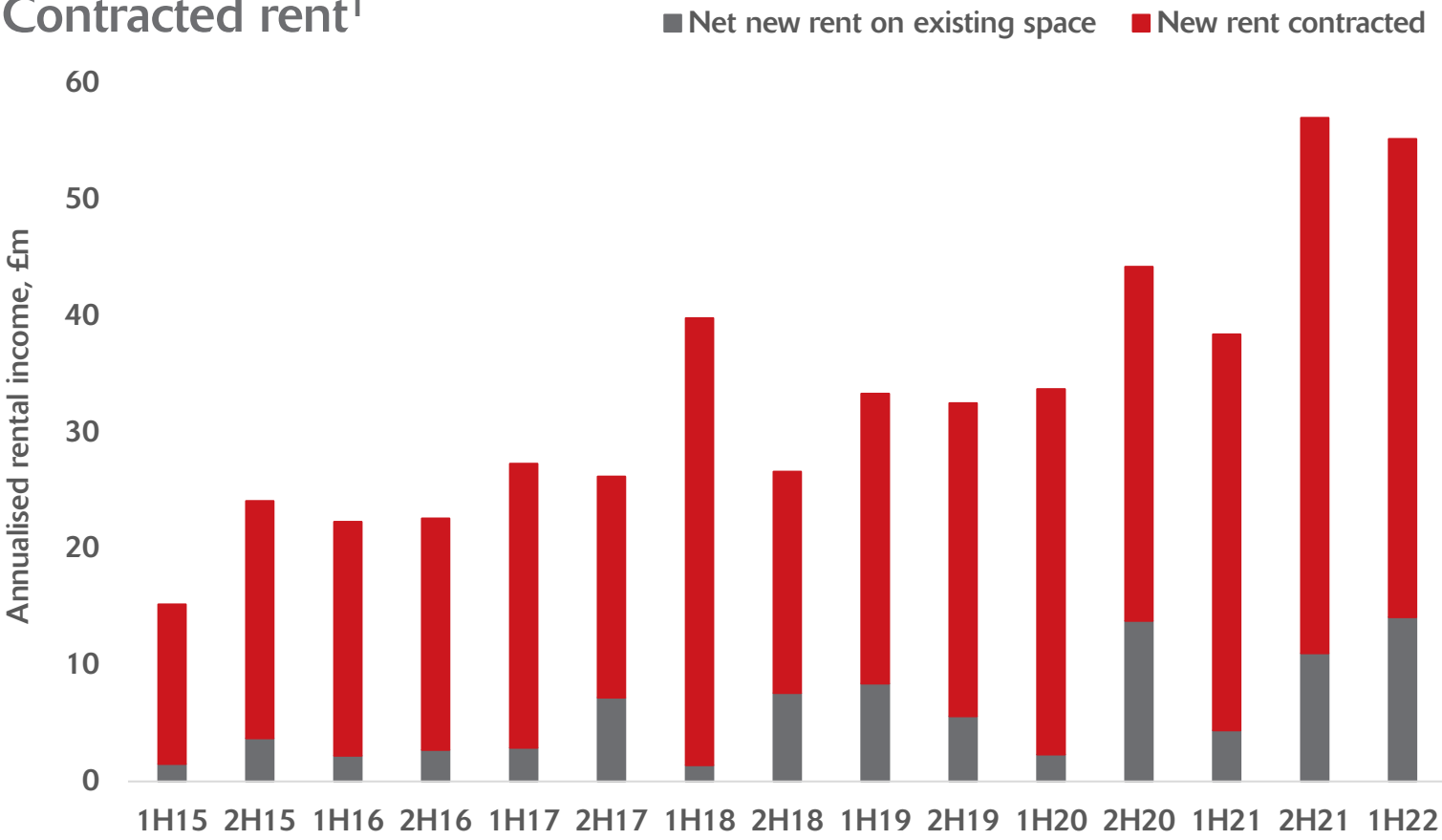


Disposal and investment activity since 1 January 2012 (£bn)



# STRONG, DEEP AND DIVERSE OCCUPIER DEMAND

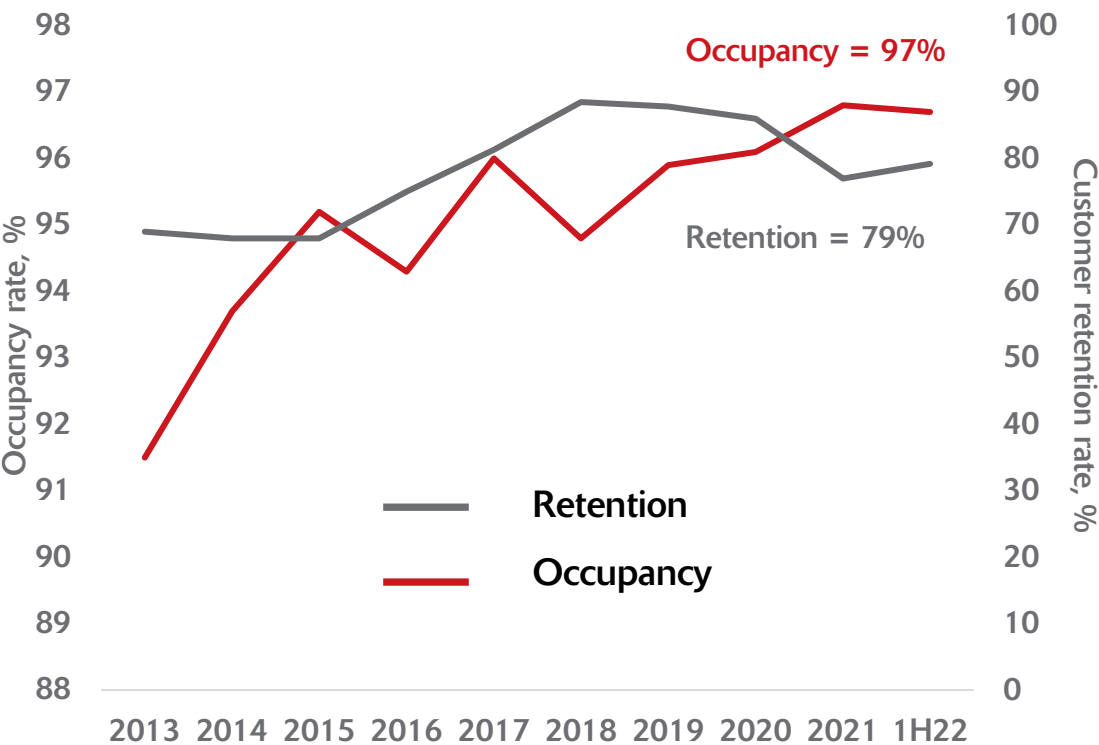
Contracted rent<sup>1</sup>



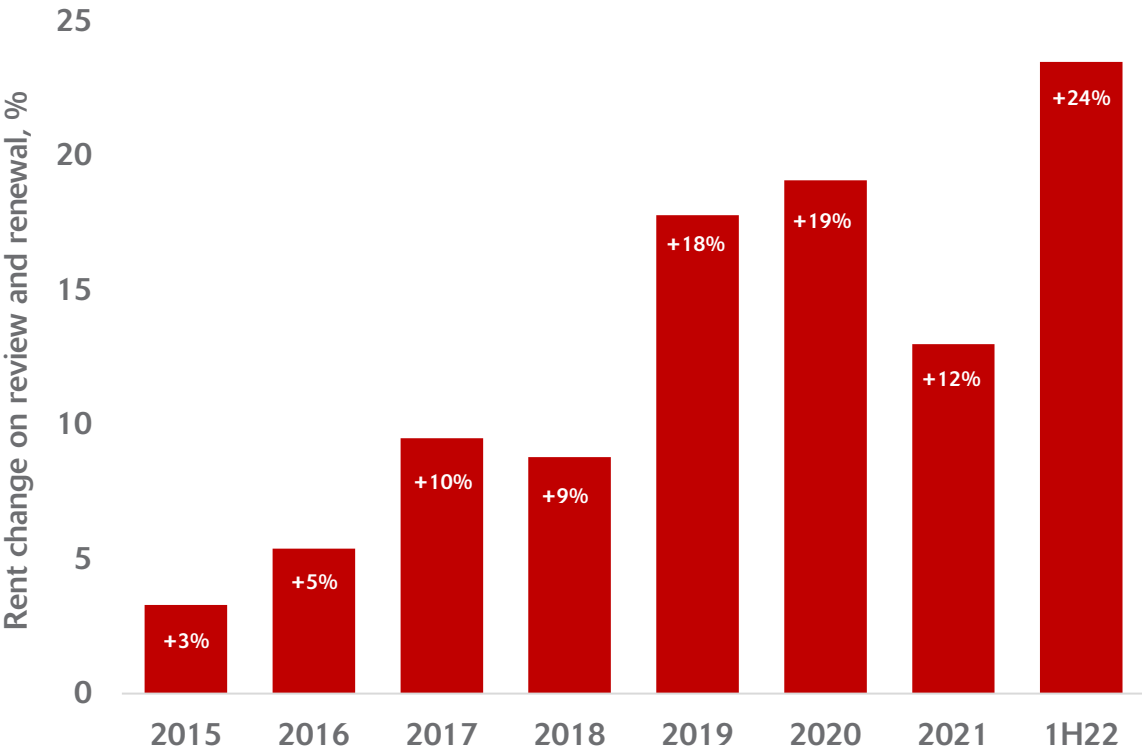
<sup>1</sup> Net new rent on existing space reflects headline rent agreed on new leases less passing rent lost from space taken back during the year; new rent contracted is total headline rent secured or (in the case of developments) agreed in the year

# PORTFOLIO DELIVERING STRONG OPERATING METRICS

High levels of customer retention and occupancy



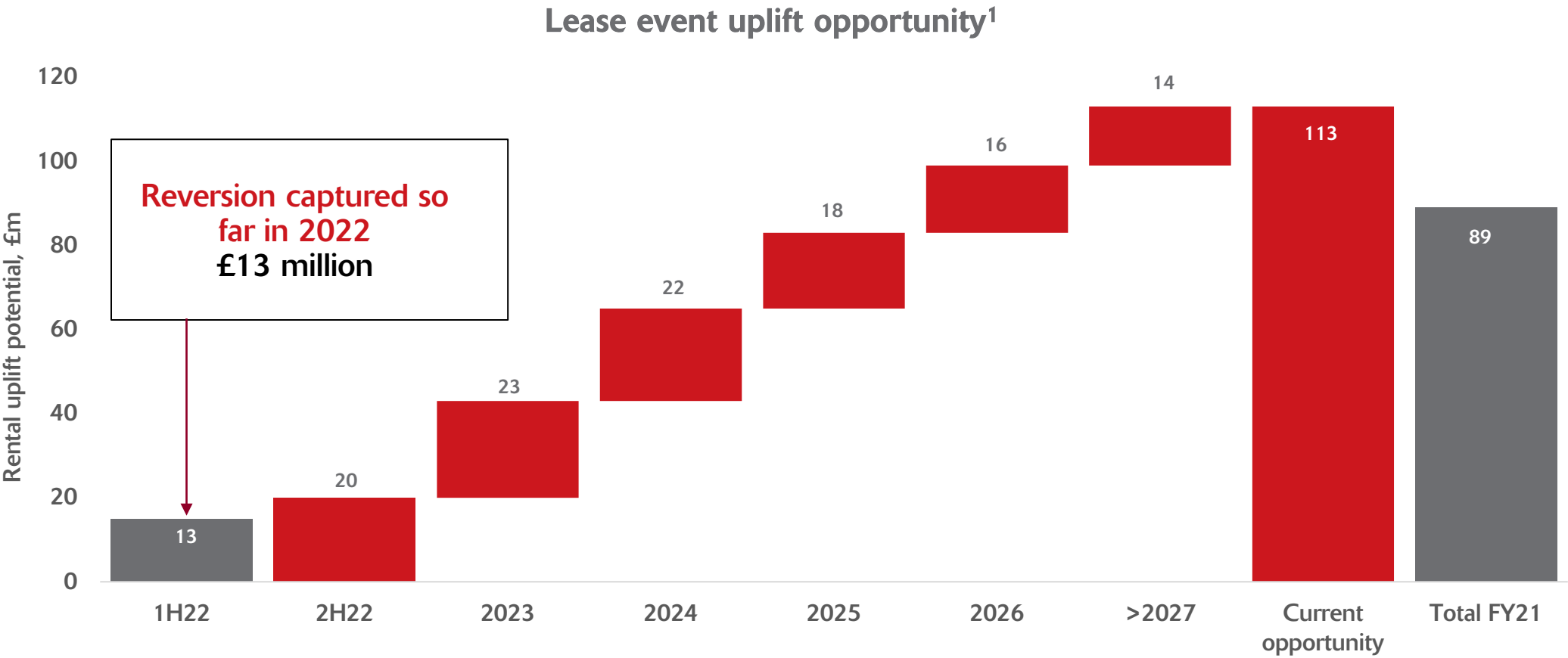
Consistently capturing reversion from renewals and reviews<sup>2</sup>



1 Occupancy rate based on ERV at 30 June 2022; customer retention rate based on headline rent retained in the same or alternative SEGRO premises  
2 Uplift in 2019 and 2020 included re-gears on the peppercorn leases in the Heathrow portfolio so capture of reversion was higher – all of the re-gears have now been completed



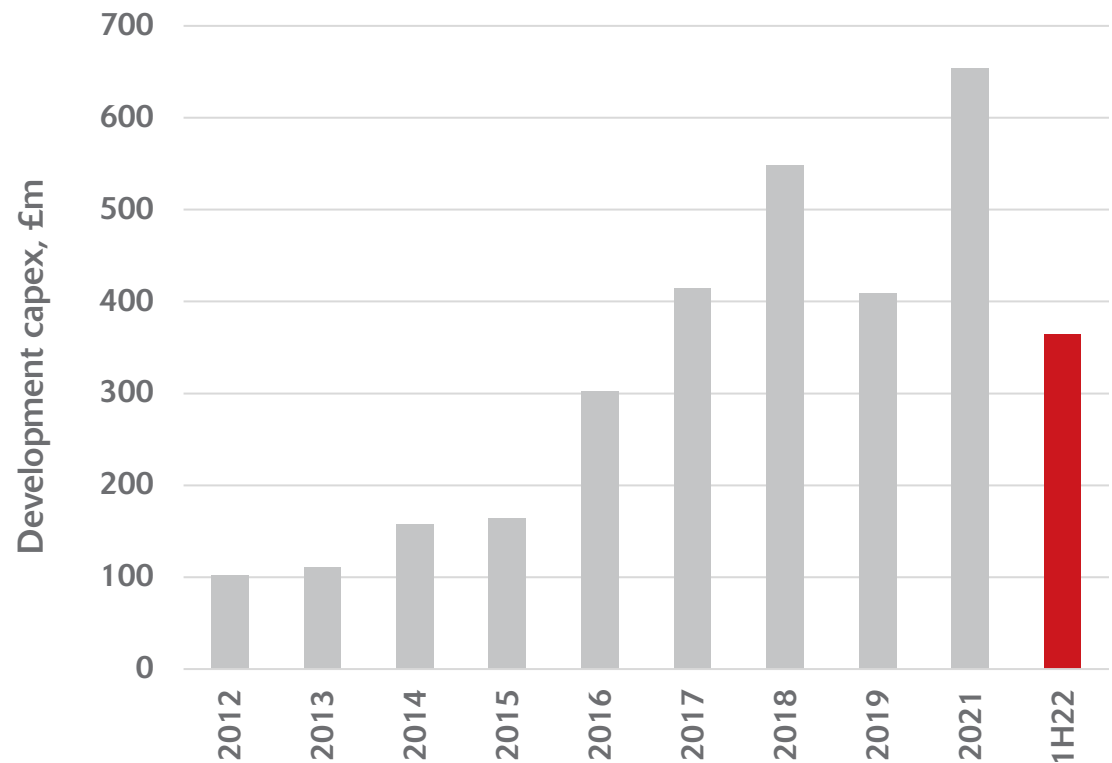
# SIGNIFICANT REVERSIONARY POTENTIAL ALREADY BEING CAPTURED



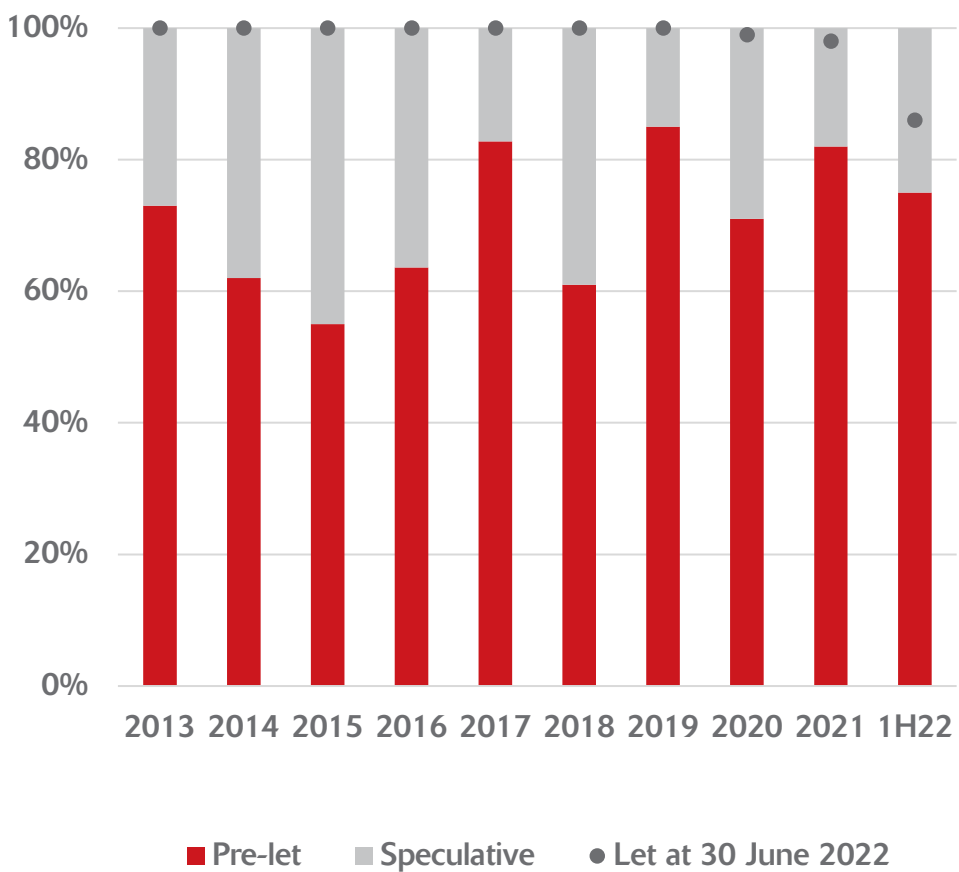
<sup>1</sup> Reversion on let space only, excludes vacancy  
<sup>2</sup> Includes UK rent reviews, and UK and CE rent subject to break/ expiry – see p.14 of the Half Year 2022 Property Analysis Report for further detail .

# DEVELOPMENT LED GROWTH, DE-RISKED THROUGH PRE-LETS

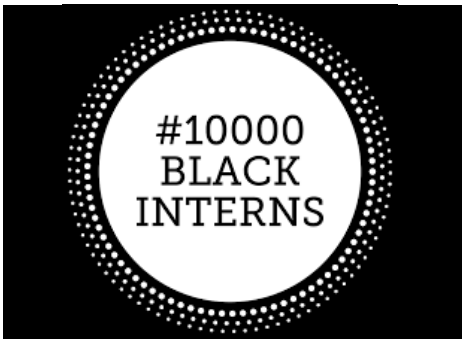
Development-led growth<sup>1</sup>



The majority of which is pre-let



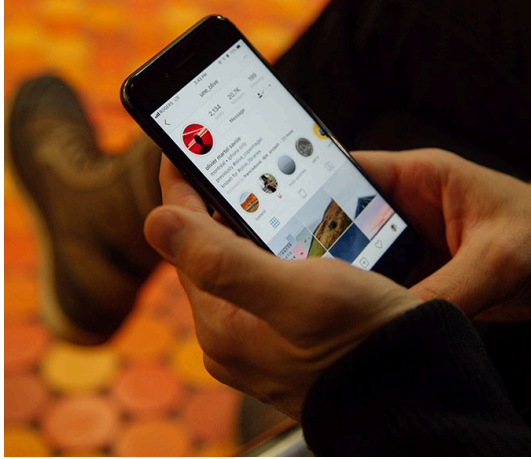
# RESPONSIBLE SEGRO INCREASINGLY INTEGRATED THROUGHOUT THE BUSINESS



# DRIVING FUTURE GROWTH



# SUPPORTIVE LONG-TERM STRUCTURAL DRIVERS



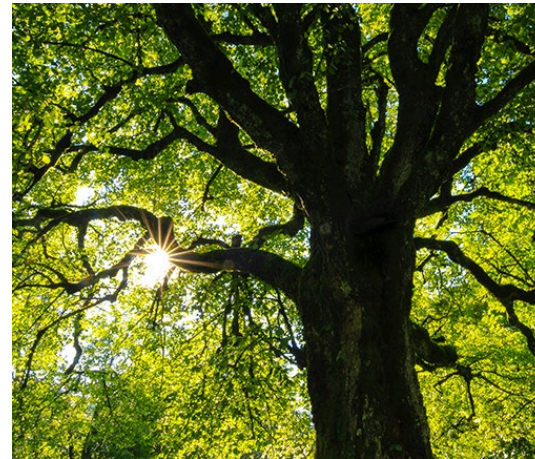
DIGITALISATION  
OF OUR  
ECONOMIES



URBANISATION



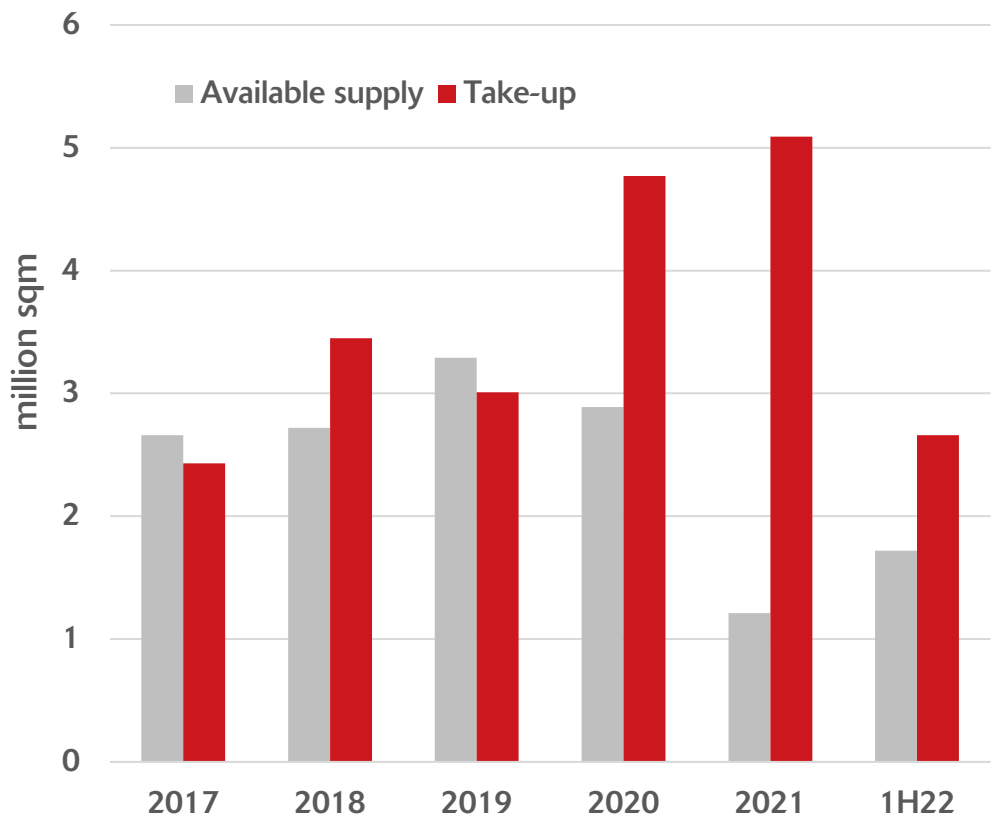
SUPPLY CHAIN  
EFFICIENCY &  
RESILIENCE



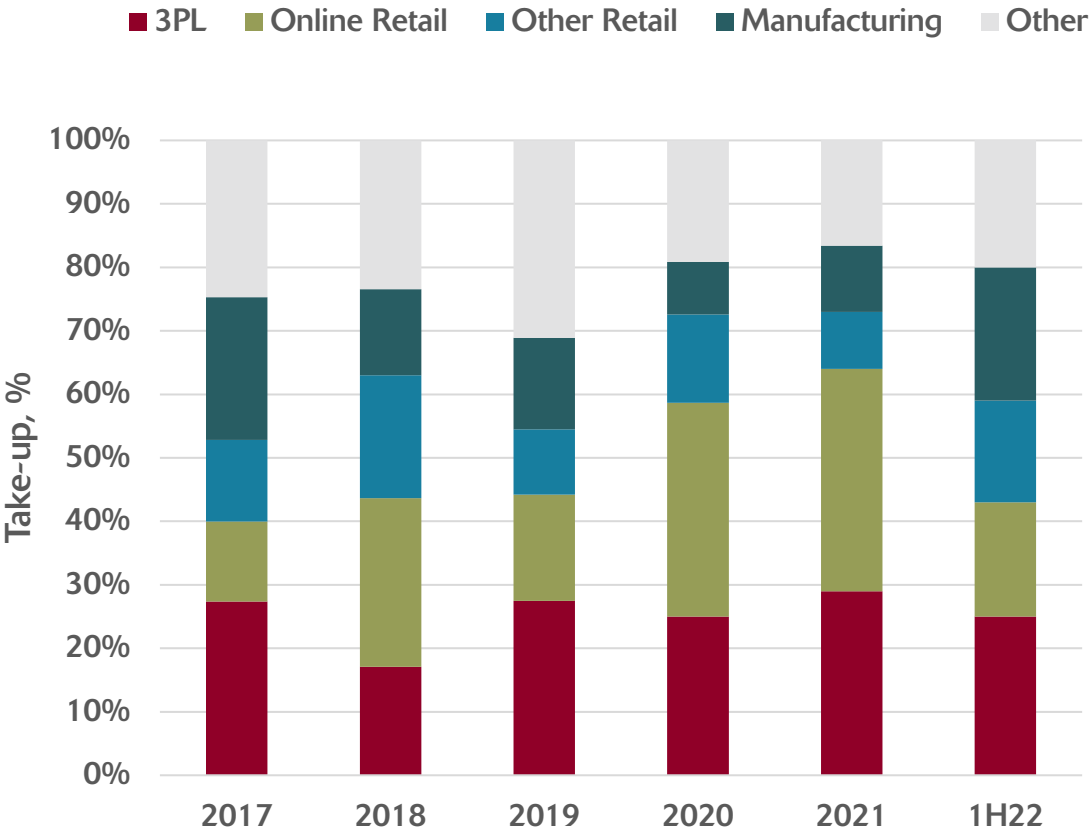
SUSTAINABILITY

# SUPPORTIVE SUPPLY-DEMAND DYNAMICS...

Take-up continues to outpace supply in the UK



Breakdown of UK take-up by sector



# ...POINT TO FURTHER RENTAL GROWTH

Property Type	Region	% of portfolio <sup>1</sup>	Demand conditions	Supply conditions	1H22 ERV growth	ERV growth expectations
Urban warehouses	UK	55%	STRONG	ACUTE	7.4%	3-6% pa
	Continental Europe	12%	STRONG	LIMITED	2.6%	
Big box warehouses	UK	9% <sup>2</sup>	STRONG	LIMITED	6.6%	2-4% pa
	Continental Europe	22%	STRONG	LIMITED	4.5%	

...£139m of reversionary potential to capture (including £26m of vacant space)

# >£500 MILLION OF POTENTIAL RENTAL INCOME FROM FUTURE DEVELOPMENT

SEGRO land bank (30 June 2022)



Potential annualised gross rent from current, near-term and future pipeline<sup>5</sup>, by asset type (£334 million at 30 June 2022)

Other (2%)

Big box (52%)

Urban (46%)

Development pipeline	Area (sq m)	Estimated cost to complete (£m)	Potential gross rent (£m)	Development yield <sup>3</sup>	Proportion pre-let	Expected delivery
Current	886,521	518 <sup>2</sup>	84	6.4%	63%	1-12 months
Near-term pre-lets <sup>1</sup>	457,680	390	34	6.0%	85%	12-18 months
Future <sup>1</sup>	2.8m	2,080	216	6.4%	-	1-7 years
<b>Total</b>	<b>4.1m</b>	<b>2,988</b>	<b>334</b>	<b>6.4%</b>	<b>-</b>	<b>1-10 years</b>
Optioned land <sup>4</sup>	c1.7m		c170		-	1-10 years

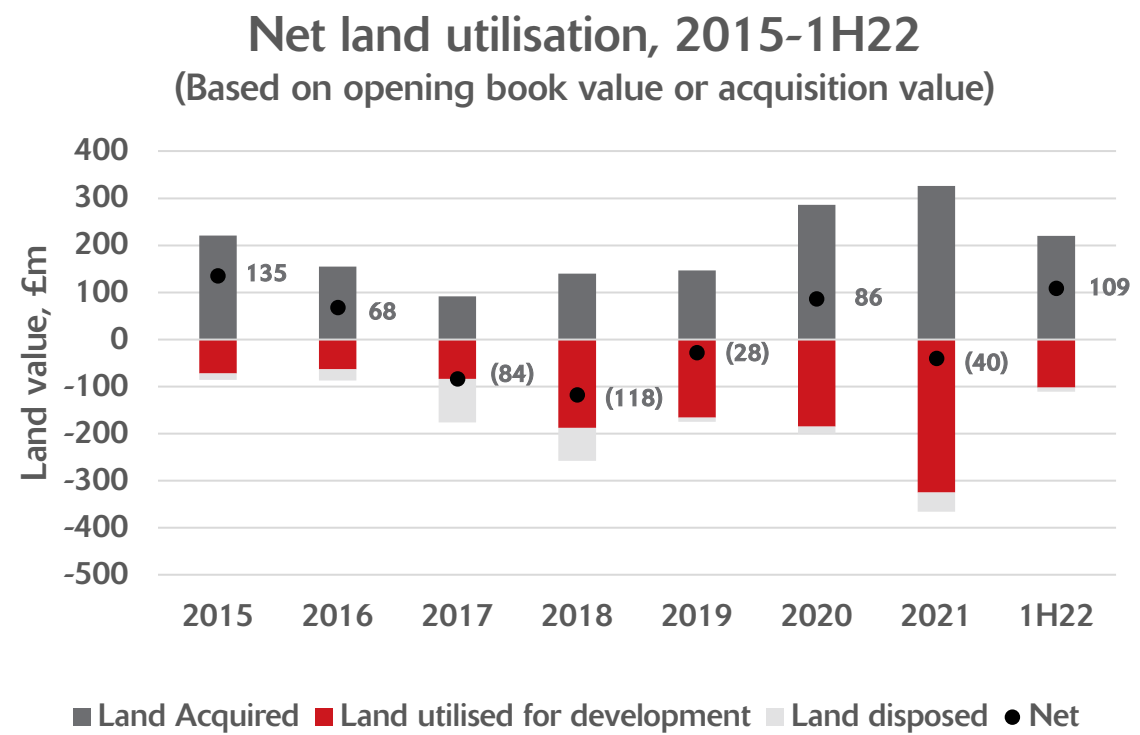
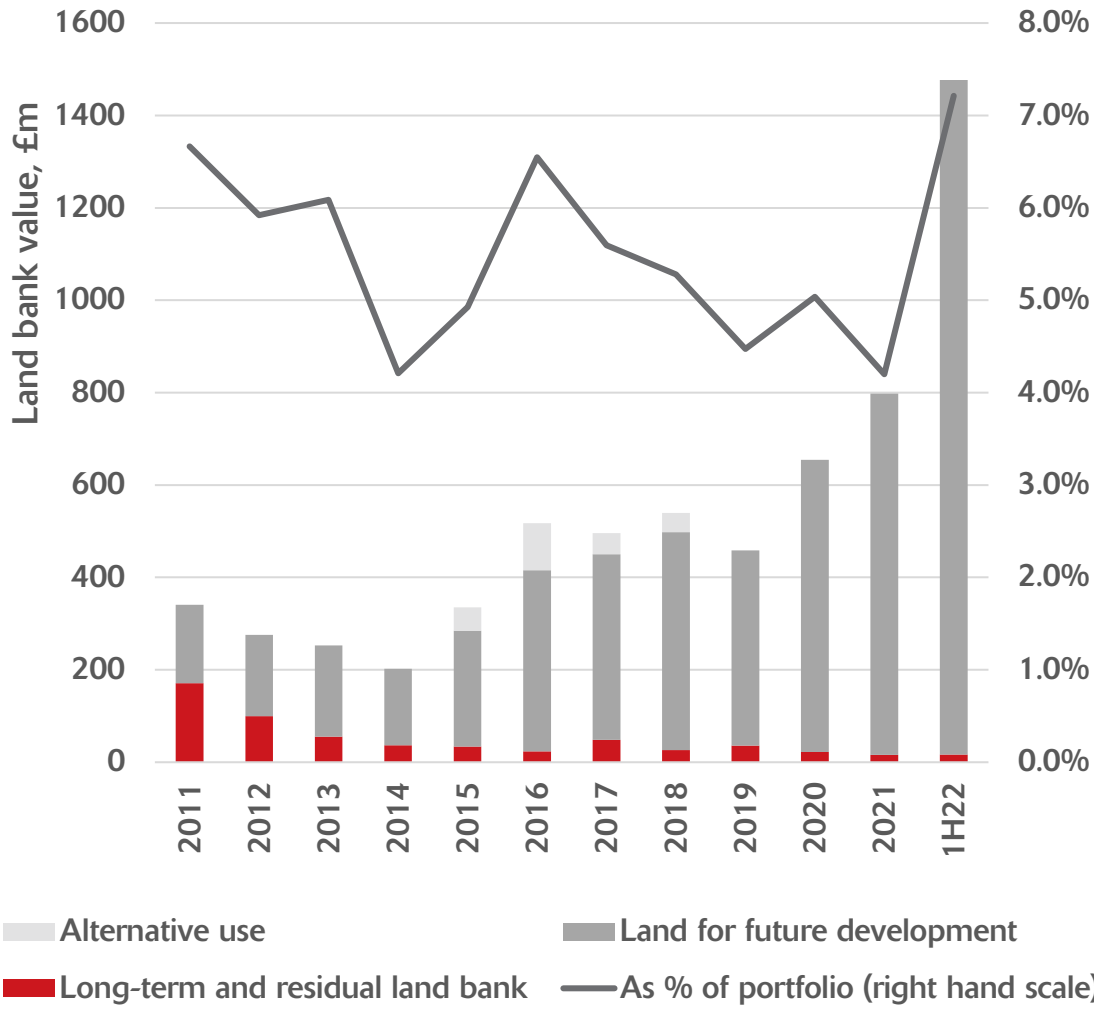
Potential annualised gross rent from current, near-term and future pipeline<sup>5</sup>, by region (£334 million at 30 June 2022)

UK (66%)

Continental Europe (34%)

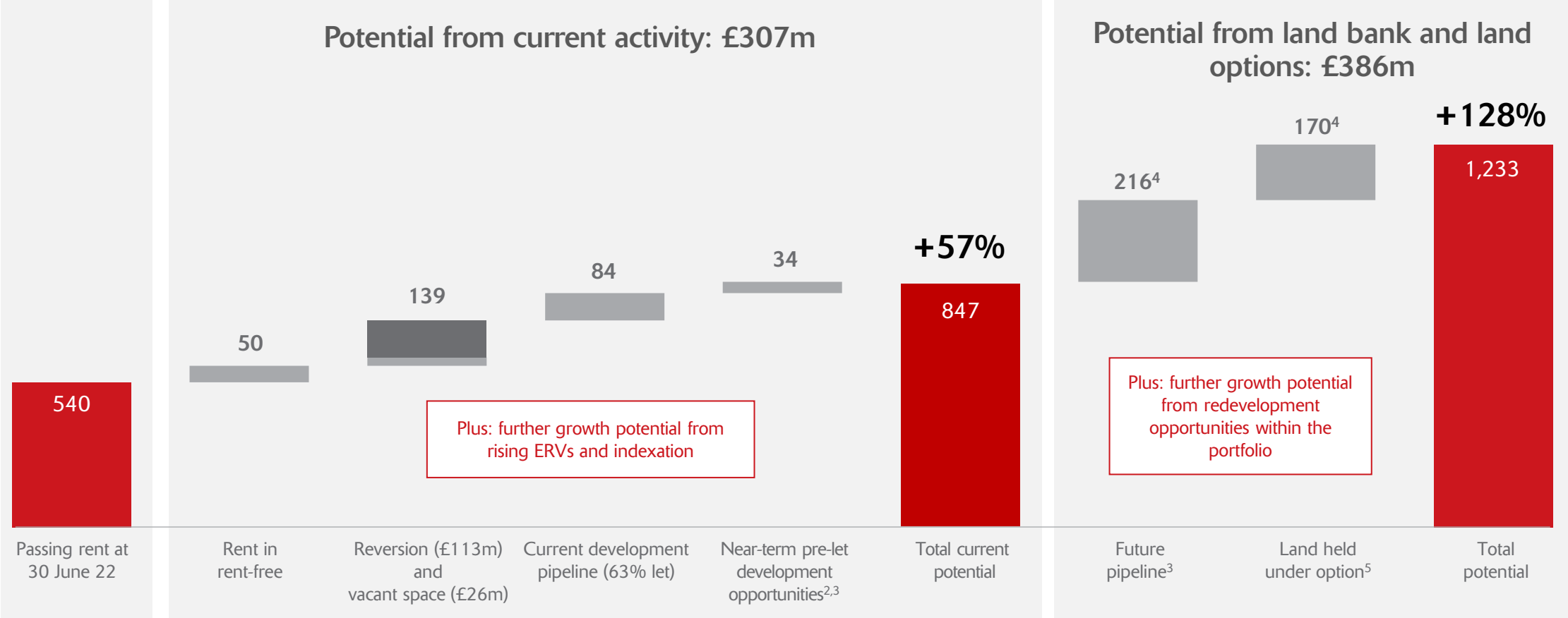


# LAND BANK PROVIDES OPTIONALITY AND OPPORTUNITY FOR GROWTH



# POTENTIAL >£1.2 BILLION RENTAL INCOME

Annualised gross cash passing rent<sup>1</sup>, £ million  
(as at 30 June 2022)



1 Including JVs at share | 2 Near-term development opportunities include pre-let agreements subject to final conditions such as planning permission, which are expected to commence within the next 12 months | 3 Total rent potential of £279m from near-term development opportunities and future pipeline  
4 Estimated. Excludes rent from development projects identified for sale on completion and from projects identified as "Near-term opportunities"  
5 Land secured by way of options or conditional on contract

# CONFIDENT OUTLOOK



# APPENDIX

## Portfolio and Financial Data



# STRONG FINANCIAL RESULTS

**£216m**

Adjusted profit before tax  
+28.6%

**16.9p**

Adjusted earnings per share  
+22.5%  
Excl SELP fee: 15.6p, +13.0%

**8.1p**

Interim dividend per share  
+9.5%

**£20.5bn**

Portfolio valuation (at share)  
+7.2%

**1,249p**

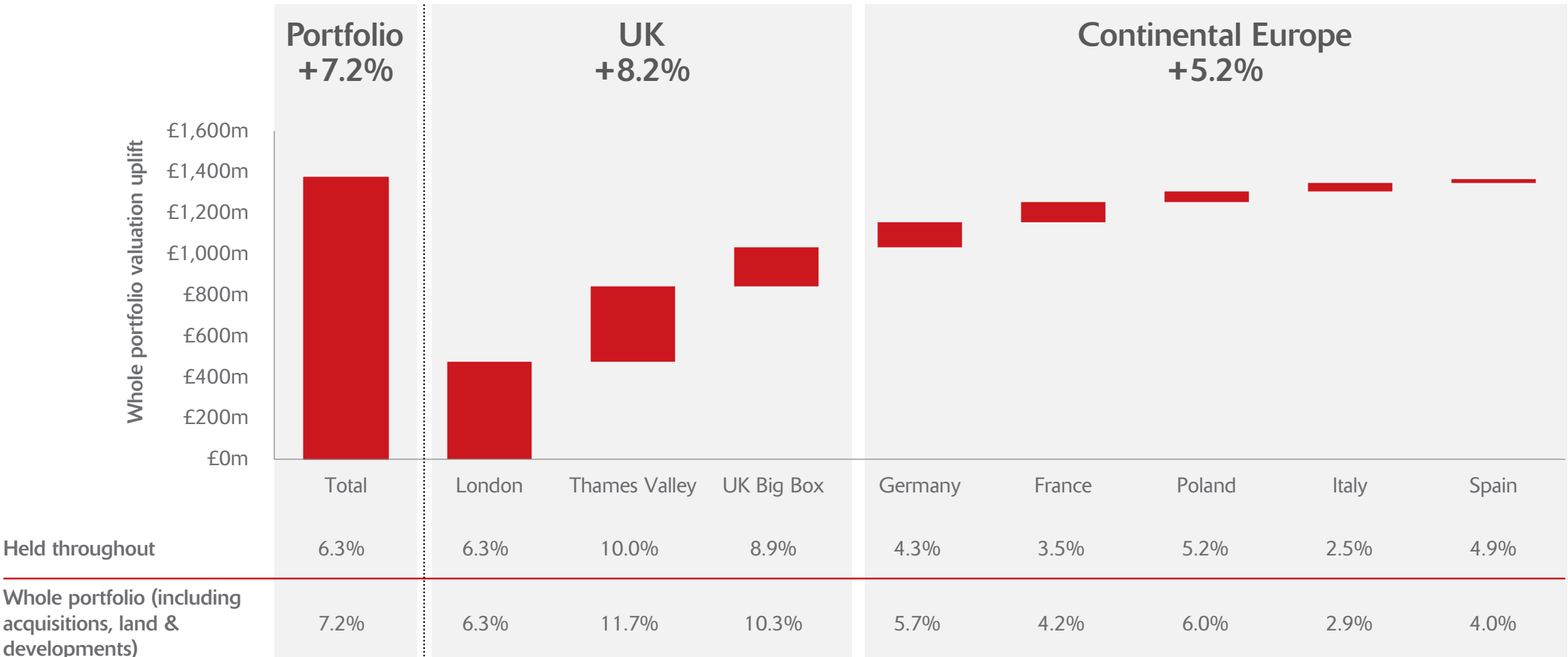
Adjusted NAV per share  
+9.8%

**23%**

Loan to value

# £1.4BN VALUATION SURPLUS DRIVES INCREASE IN NAV

Portfolio value at 30 June 2022: £20.5bn



# CONTINUING TO BE DISCIPLINED IN OUR CAPITAL ALLOCATION

## DEVELOPMENT

- £284m of construction spend
- £80m of infrastructure spend



**£364m**

## ACQUISITIONS

- £145m of asset acquisitions
- £220m of land acquisitions



**£365m**

## DISPOSALS

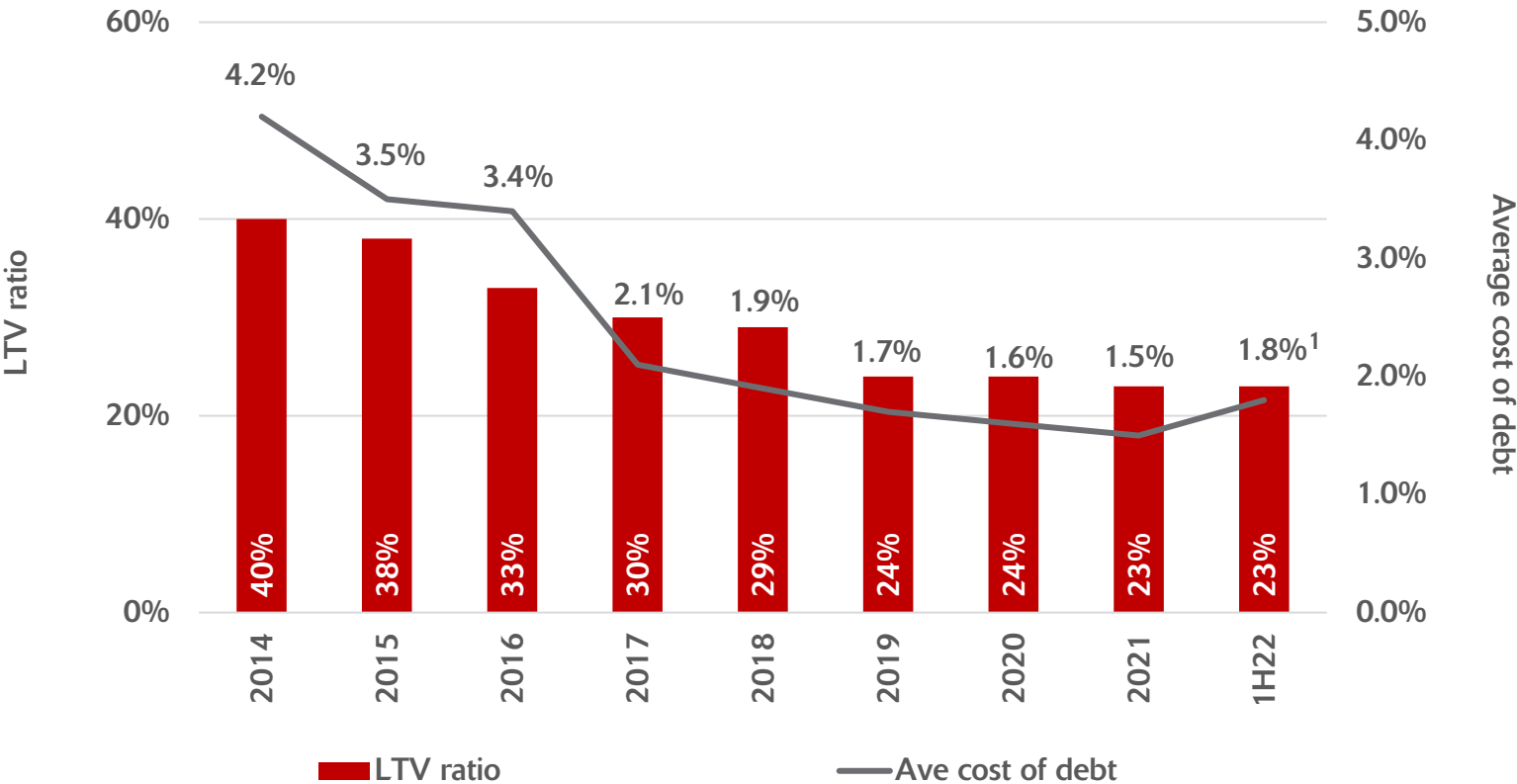
- Big box warehouses in Italy
- Asset swap to unlock redevelopment potential on the Slough Trading Estate
- SEGRO sales to SELP



**£181m**

# LOW AVERAGE COST OF DEBT AND LEVERAGE

LTV ratio and average cost of debt  
(incl share of joint ventures), 2014-22



Credit rating  
A (Fitch senior unsecured)

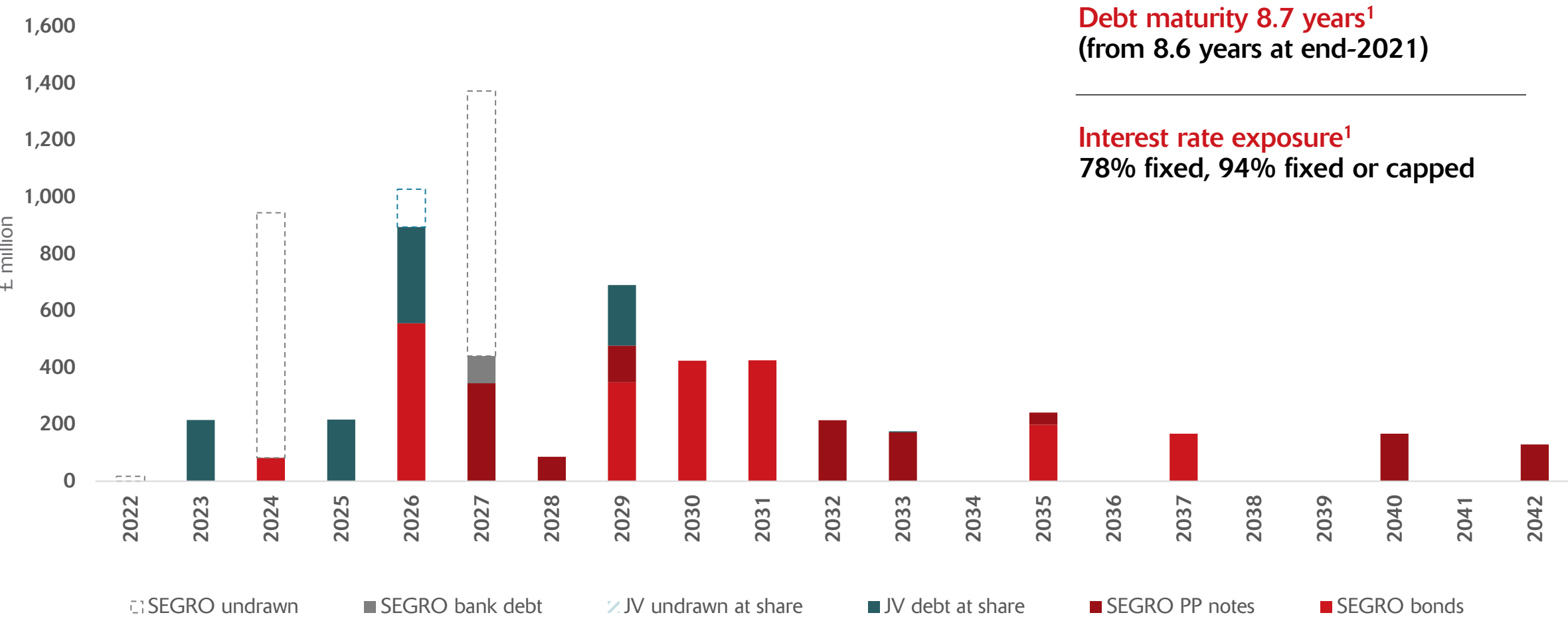
Net debt £4.8bn  
(FY 2021: £4.2bn)

£2.1bn liquidity<sup>1</sup>  
cash and available bank facilities

Estimated development capex:  
2022: >£700 million  
Disposals:  
1-2% of GAV per annum

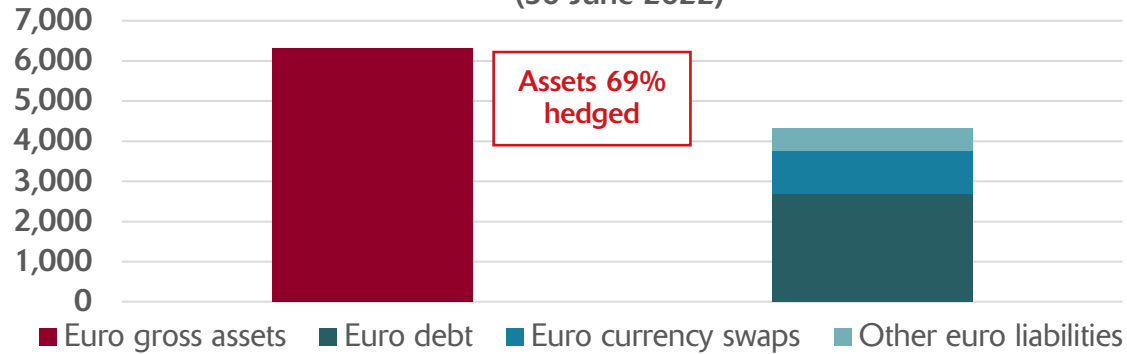
# NO SIGNIFICANT REFINANCING UNTIL 2026

Debt maturity by type and year, £ million  
(as at 30 June 2022)

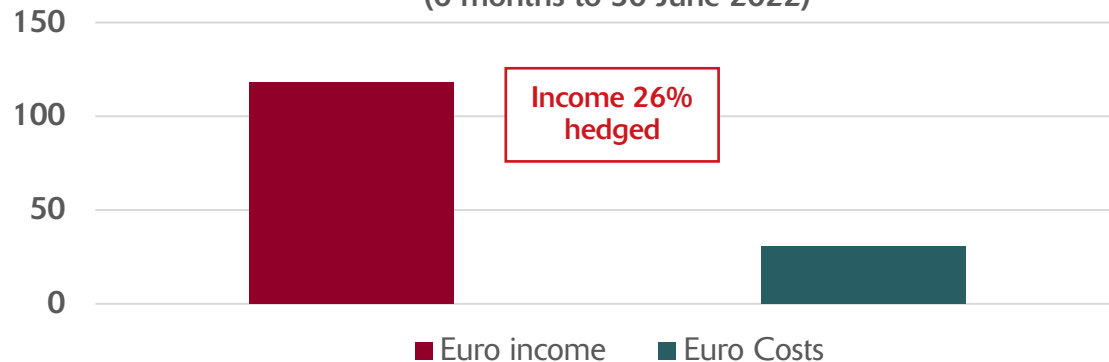


# EURO CURRENCY EXPOSURE AND HEDGING

Balance sheet, £m  
(30 June 2022)



Income Statement, £m  
(6 months to 30 June 2022)



- €1.16:£1 as at 30 June 2022
- € assets 69% hedged by € liabilities
- €2,298m (£1,981m) of residual exposure – 13% of Group NAV
- Illustrative NAV sensitivity vs €1.16:
  - +5% (€1.22) = -£94m (-c7.8p per share)
  - -5% (€1.10) = +£104m (+c8.6p per share)

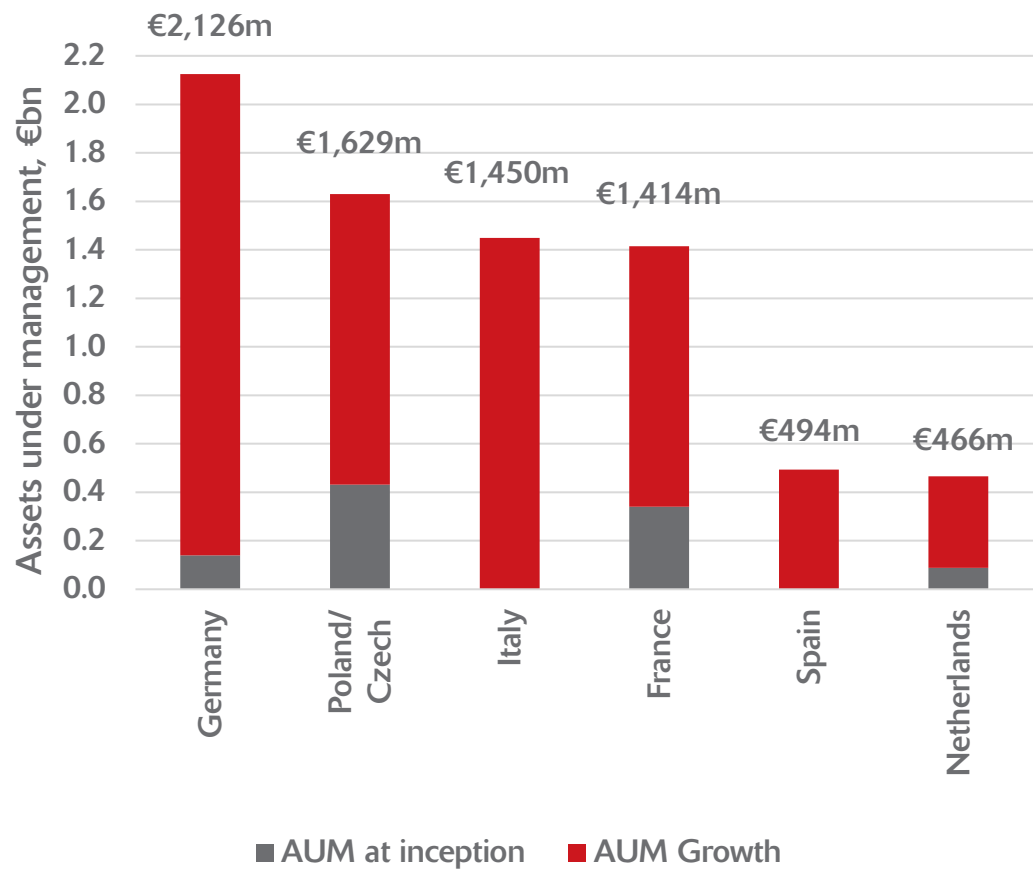
- Loan to Value (on look-through basis) at €1.16:£1 is 23%,
- Sensitivity vs €1.16:
  - +5% (€1.21) LTV -0.6%
  - -5% (€1.10) LTV +0.6%

- Average rate for 6 months to 30 June 2022 €1.19:£1
- € income 26% hedged by € expenditure (including interest)
- Net € income for the period €104m (£88m) – 42% of Group
- Illustrative annualised net income sensitivity versus €1.19
  - +5% (€1.25) = -£4.2m (c.0.3p per share)
  - -5% (€1.13) = +£4.6m (c.0.4p per share)



# SEGRO EUROPEAN LOGISTICS PARTNERSHIP (SELP) HEADLINE FIGURES

Assets under Management  
(as at 30 June 2022)



Land and assets  
**€7.6bn**

Equivalent yield  
**4.0%**

Capital value change  
**5.7%**

ERV growth  
**4.9%**

Headline rent  
**€298m**

ERV  
**€315m**

Occupancy rate  
**99%**

LTV ratio  
**28%**

# IMPACT OF SELP 10-YEAR PERFORMANCE FEE

Adjusted income statement	H1 2022 £m	Impact of SELP performance fee £m	H1 2022 excl SELP performance fee £m
Gross rental income	239		239
Property operating expenses	(36)		(36)
<b>Net rental income</b>	<b>203</b>		<b>203</b>
Joint venture fee income	57	(42)	15
Other income	3		3
Administration expenses	(31)		(31)
Share of joint ventures' adjusted profit after tax <sup>1</sup>	16	21 <sup>2</sup>	37
<b>Adjusted operating profit</b>	<b>248</b>		<b>227</b>
Net finance costs	(32)		(32)
<b>Adjusted profit before tax</b>	<b>216</b>	<b>(21)</b>	<b>195</b>
Tax	(12)	5	(7)
Adjusted profit after tax	204	(16)	188
<b>Adjusted EPS</b>	<b>16.9p</b>	<b>(1.3)p</b>	<b>15.6p</b>

SELP 10-year performance fee is potentially payable October 2023

Calculated based on 10-year IRR versus hurdle rate

Based on valuations at 30 June 2022 performance fee would be c€370 million (€185 million net as SEGRO owns 50 per cent of SELP)

€79 million has been recognised to date: €29 million in FY21 and €50 million in 1H22

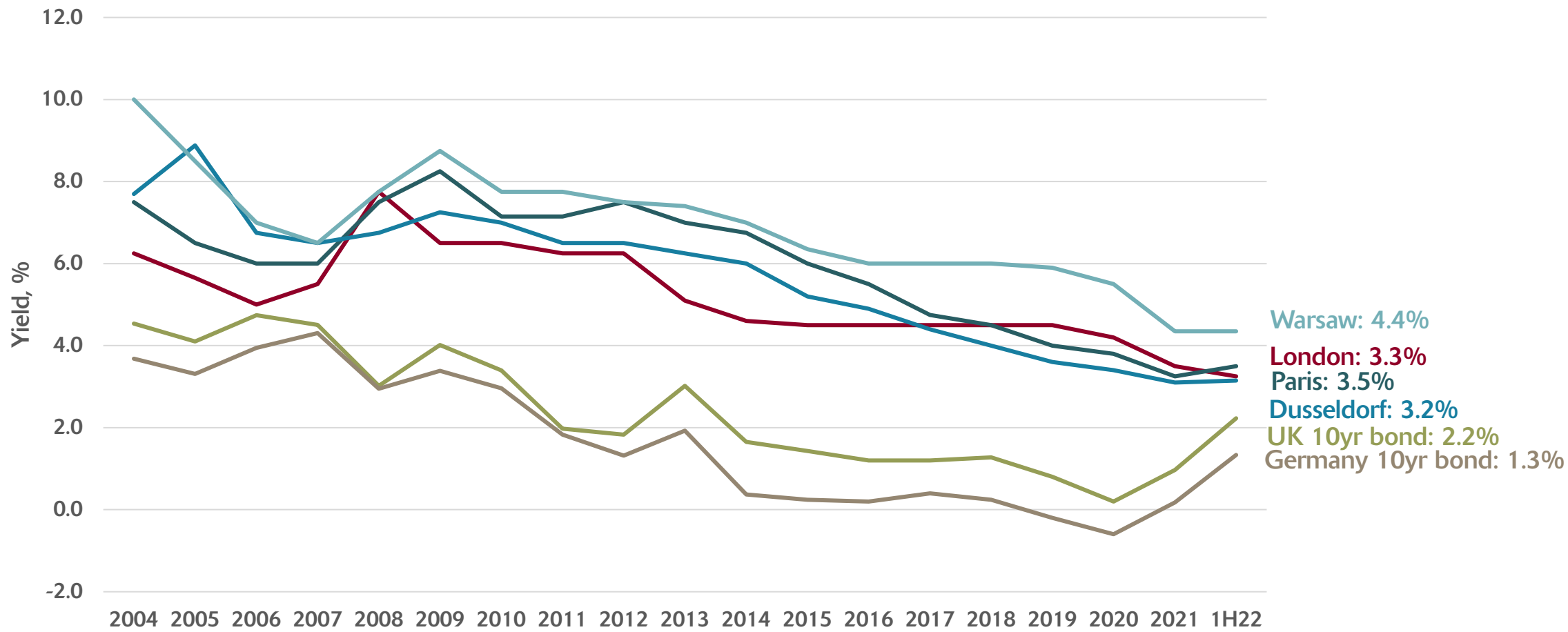
In 1H22 this has a net impact of £21 million before tax (1.3 pence per share)

Remainder could be recognised in 2H22 and 2023

# POSITIONING SEGRO TO DELIVER ON ITS PURPOSE

	Championing Low-carbon growth	Investing in our local communities and environments	Nurturing talent
Context	Segro recognises that the world faces a climate emergency and we are committed to playing our part in tackling climate change, by limiting global temperature rise to less than 1.5 degrees, in tandem with growth in our business and the wider economy.	SEGRO is an integral part of the communities in which it operates, and we are committed to contributing to their long-term vitality.	SEGRO's people are vital to and inseparable from its success, and we are committed to attracting, enhancing and retaining a diverse range of talented individuals in our business.
Targets	We will be net-zero carbon by 2030	We will create and implement Community Investment Plans for every key market in our portfolio by 2025	We will increase the overall diversity of our own workforce throughout the organisation
Actions	<p>We will aim to reduce carbon emissions from our development activity and the operation of our existing buildings, and eliminate them where possible.</p> <p>We will implement plans to absorb any residual carbon</p>	<p>We will work with our customers and suppliers to support our local businesses and economies.</p> <p>We will help improve the skills of local people to enhance their career and employment opportunities, by investing in local training programmes.</p> <p>Equally, we will enhance the spaces around our buildings, working with local partners to ensure we meet the needs of our communities.</p>	We will provide a healthy and supportive working environment, develop fulfilling and rewarding careers, foster an inclusive culture and build diverse workforce.

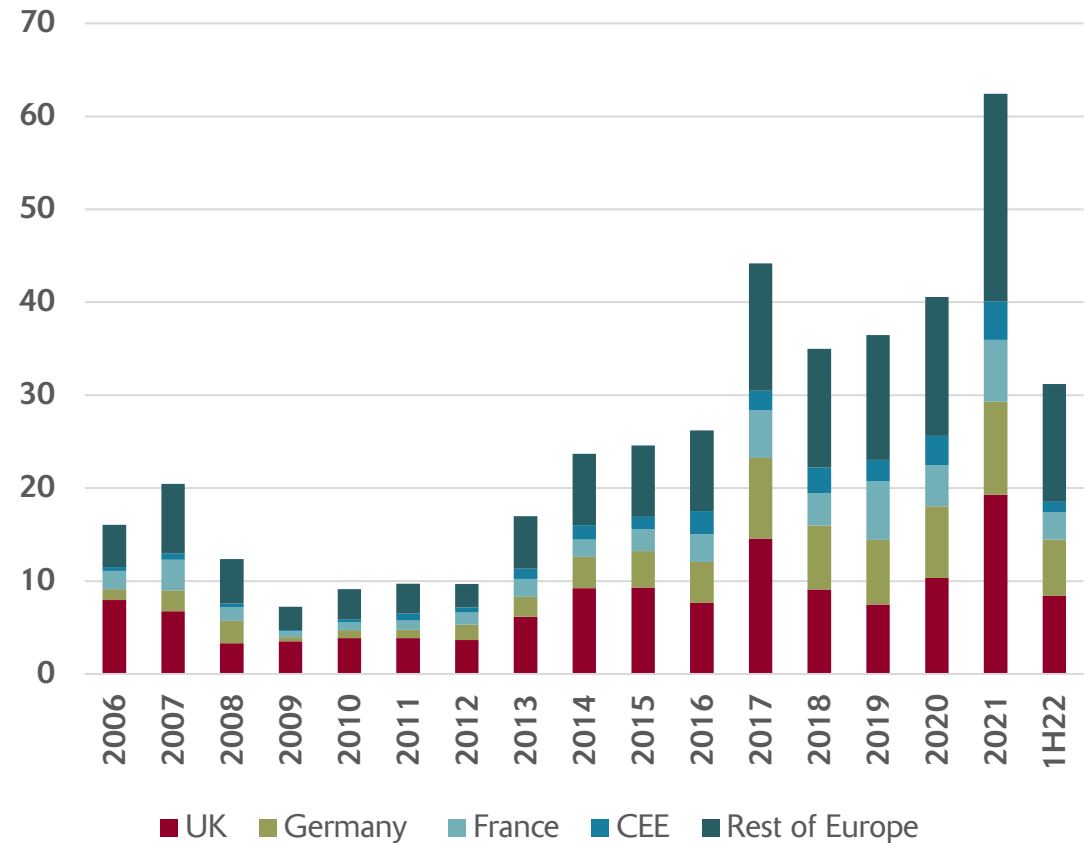
# PRIME LOGISTICS YIELDS VS 10 YEAR BOND YIELDS



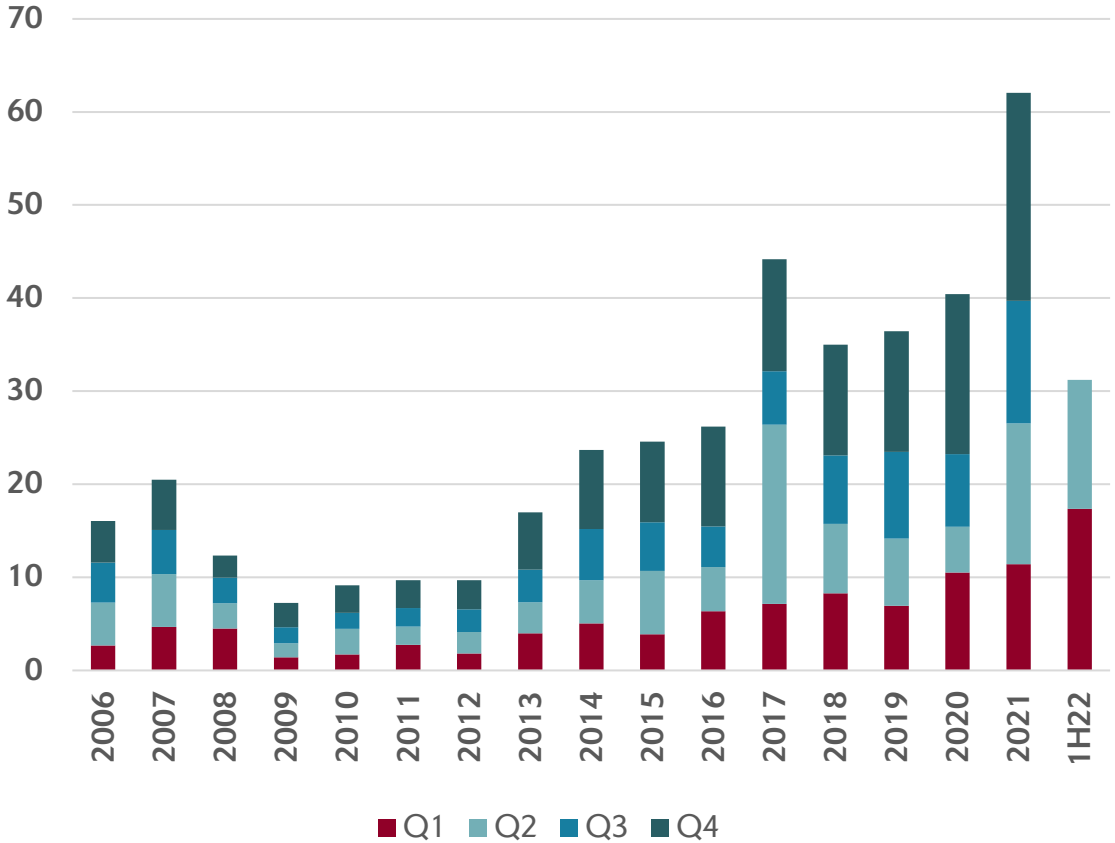
Source: Prime yields CBRE, risk free rates as of Bloomberg (30 June 2022)

# EUROPEAN INDUSTRIAL INVESTMENT VOLUMES

European industrial investment volumes  
By geography, €bn

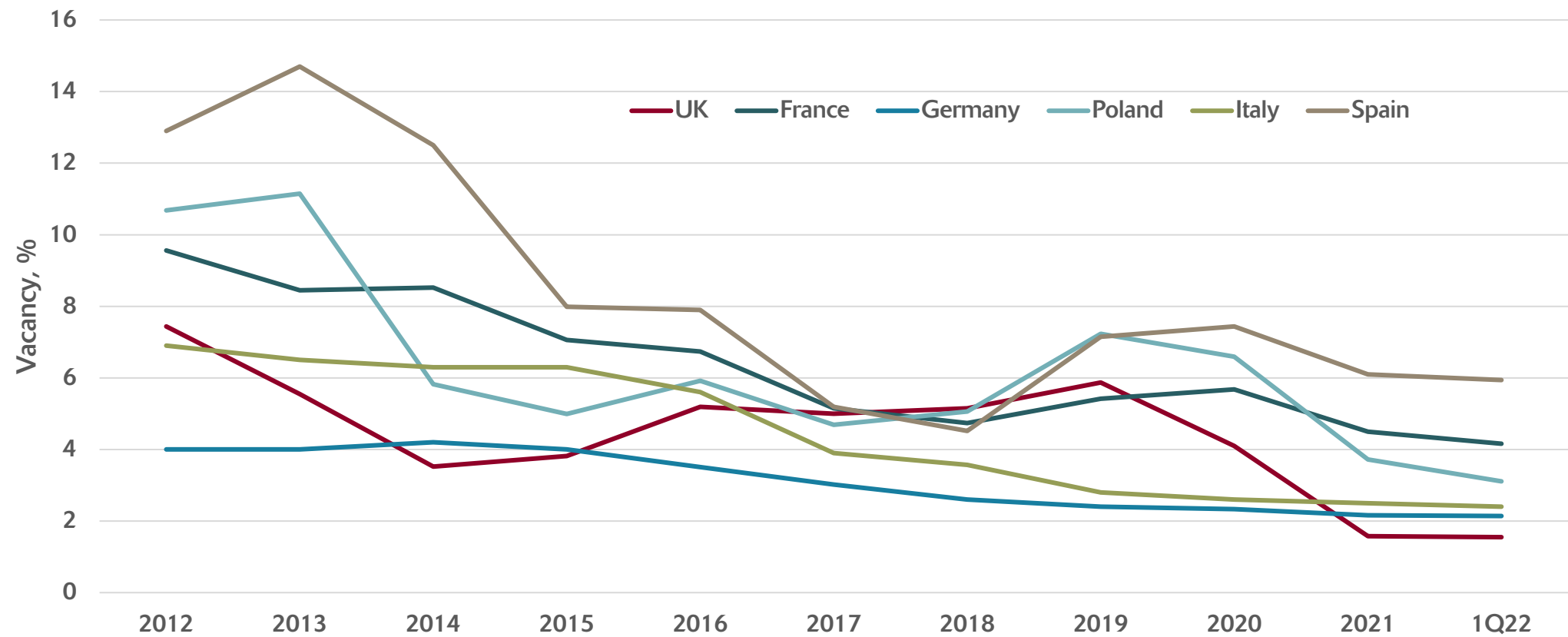


European industrial investment volumes  
By quarter, €bn



Source: CBRE

# EUROPEAN VACANCY AT HISTORIC LOWS

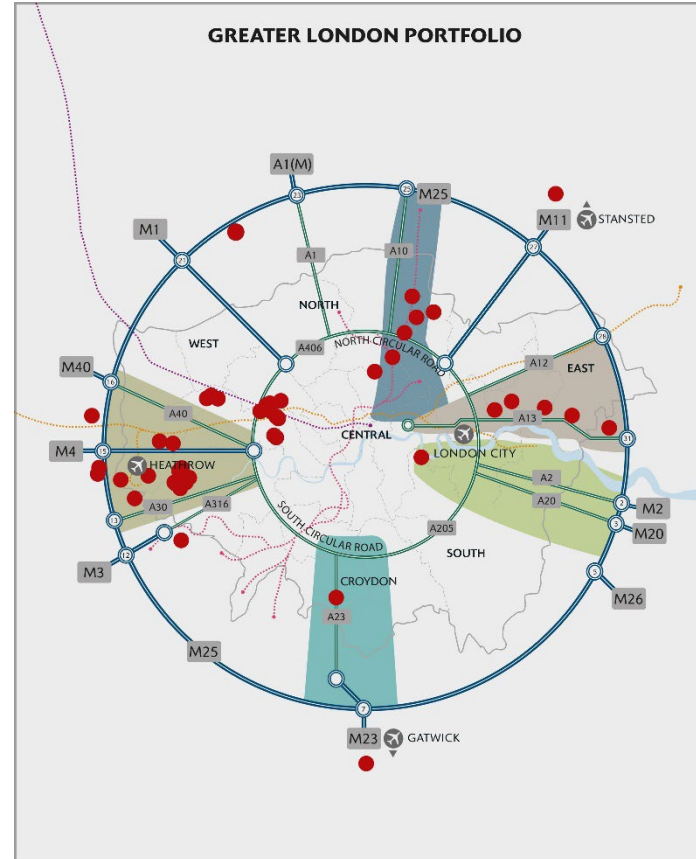




# HEATHROW CARGO AREA



# SEGRO GREATER LONDON PORTFOLIO



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This Presentation may contain certain forward-looking statements with respect to SEGRO's expectations and plans, strategy, management objectives, future developments and performance, costs, revenues and other trend information. Some of these forward-looking statements may be based on data provided by third parties. All forward-looking statements are subject to assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties relates 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 as at the date of the statement. Accordingly, no assurance can be given that any particular expectation will be met and you 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. The information contained in this Presentation, including information provided by third parties, is given as at the date of this Presentation and is subject to change without notice. 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 any forward-looking statements, including to reflect any new information or 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 Presentation should be construed as a profit estimate or profit forecast.

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August 2022