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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

**FOR IMMEDIATE RELEASE**

**29 NOVEMBER 2018**

**INTU PROPERTIES PLC ('INTU')**

**WITHDRAWAL OF POSSIBLE OFFER AND CORPORATE UPDATE**

**Withdrawal of possible offer**

On 4 October 2018 a consortium comprising the Peel Group ('Peel'), the Olayan Group and Brookfield Property Group (together the 'Consortium') announced they were in the preliminary stages of considering a possible cash offer for intu. The Board of intu formed an independent committee (the 'Independent Committee') comprising all directors of intu other than John Whittaker, who was connected to the Consortium, to consider any approaches from the Consortium.

Following negotiations in which an indicative proposal from the Consortium of 200.4 pence per share was increased to a revised indicative proposal of 210.4 pence per share (exclusive of the 4.6 pence interim dividend which has since been paid), the Independent Committee resolved to grant the Consortium access to certain due diligence materials on 19 October 2018.

Good progress was made with the Consortium over the following weeks, with three extensions to the original firm offer deadline of 1 November 2018 made to enable them to continue their work, the last to 5.00 pm on 30 November 2018.

The Consortium confirmed to intu on 21 November 2018 that its legal, tax, accounting and commercial due diligence was largely complete and that nothing had arisen from its due diligence workstreams that would lead it to alter the terms of its revised indicative proposal of 210.4 pence per share (exclusive of the 4.6 pence interim dividend which has since been paid).

However, the Consortium has announced today that, given the uncertainty around current macroeconomic conditions and the potential near-term volatility across markets, the Consortium is not able to proceed with an offer within a timeframe which is manageable within the confines of the Code timetable.

**Key strengths of intu**

Whilst market sentiment towards retail and retail property remains negative, intu is confident of its commercial prospects which are underpinned by market leadership in UK regional shopping centres, clear focus on the highest quality assets and resilient operational performance in a challenging market, as evidenced in this announcement and the previous trading update issued on 23 October 2018.

intu's key strengths are:

- a £9.6 billion portfolio of 17 prime regional centres in the UK (£8.8 billion) and three in Spain (£0.8 billion), with some 400 million annual customer visits
- ownership of eight of the top-20 centres in the UK and three of the top-10 in Spain
- a concentrated portfolio, with the eight top-20 UK centres accounting for 76 per cent of intu's UK portfolio by value
- a focus on winning destinations, which benefit from intu's continued investment, in an evolving retail environment where retailers continue to seek flagship stores in prime locations as a key part of their omnichannel strategy
- a resilient operational performance in a challenging environment with stable income streams and 97 per cent occupancy (see Current trading and financial position below)

- a robust debt structure, predominantly flexible asset specific non-recourse arrangements with minimal maturities until 2021 and substantial covenant headroom
- significant mixed-use opportunities from extensive land holdings around major out of town centres and intensification of use in city centre locations

**Current trading and financial position**

A full trading update was issued by intu on 23 October 2018 which illustrated how intu has continued to deliver a resilient operational performance through a period that has been particularly challenging for UK retailers.

intu's net rental income for the first six months of 2018 was £223 million (2017 full year: £460 million), including a like-for-like increase of 1.3 per cent against the first six months of 2017. Net rental income is stated after taking due account of adjustments to comply with International Financial Reporting Standards, including amortising tenant lease incentives such as rent free periods and capital contributions.

intu expects a further year of like-for-like net rental income growth in 2018, with full year growth estimated to be in the range of 0 per cent to 1 per cent (subject to no further material tenant failures), with the expected outturn having been impacted by some 1.5 per cent from tenant failures in the year.

In the nine months to 30 September 2018, intu signed 200 new leases (2017 YTD: 176 leases) producing £32 million of new annual rent, 7 per cent above previous passing rent. Encouragingly, tenants invested an estimated £64 million in fitting out, upgrading and expanding stores in this period (2017 full year: £89 million).

Following House of Fraser entering administration, intu did not reach agreement on terms for continuing occupancy with the operator of House of Fraser stores post administration. House of Fraser has recently announced that they will close their four stores at intu centres (which provide approximately 1 per cent of intu's annual rent roll) in early 2019. This will reduce rental income and increase vacancy costs in 2019. intu is however looking forward to the opportunity to re-engineer and repurpose these stores with new and exciting alternatives already under consideration.

For 2019, intu now anticipates like-for-like net rental income growth to be in the range of 0 per cent to 1 per cent (subject to no new material tenant failures). This excludes the year-on-year impact from the House of Fraser stores referred to above which are now redevelopment projects.

intu invested £147 million in the first nine months of 2018 (2017 full year: £247 million) on capital projects expected to deliver stabilised initial yields between 6 and 10 per cent dependent on the nature of the individual project. intu's committed capital expenditure amounted to £235 million in its 2018 interim results. Maintenance capital expenditure for 2018 is estimated to be around £18 million (2017 full year: £17 million), which other than in respect of void units is largely recoverable from tenants through the service charge.

Reflecting current negative sentiment towards UK retail property, intu's property values reduced by around 9 per cent in the first nine months of 2018, reducing intu's NAV per share to 344 pence and NNNAV per share to 297 pence at 30 September 2018.

Cash and available facilities, net of a bond repayment in October 2018, amounted to approximately £500 million at 30 September 2018 and the loan-to-value ratio was 50.6 per cent.

**Capital investment programme and dividend strategy**

intu intends to continue to invest for the long term in its winning destinations to ensure they remain best in class and adaptable in an evolving retail environment.

In addition to its core development pipeline, intu continues to look at opportunities within the portfolio for alternative uses of some of its available land. This includes residential, hotel, office, flexible working and other opportunities. Initial work has highlighted the potential for around 5,000 residential units and nearly 600 hotel rooms, with further opportunities under active consideration. All of these would both create value directly but also increase the overall attractiveness and catchment of intu's centres.

In order to facilitate its capital investment programme, intu will continue to manage its loan-to-value ratio and financial headroom, which could involve further disposals, part disposals and other corporate initiatives in due course. In the last four years, intu has recycled capital for investment in flagship assets through disposals and part disposals of over £1 billion of smaller centres.

However, given the heightened macroeconomic uncertainty and the reduced pool of potential buyers at present for UK shopping centres, asset disposals are expected to be challenging to deliver in the next few months. intu therefore intends to substantially reduce the payment of dividends in the short term, starting with the 2018 final dividend, which per intu's normal financial calendar would be payable in June 2019, to provide additional funds to continue intu's investment programme.

The current annual dividend of 14.0 pence per share amounts to approximately £188 million per annum. The sum retained from any reduction in dividend will be available net of any applicable corporation tax for intu's investment programme and general corporate purposes. The decision on the amount of the final dividend for 2018 will be taken by the Board not later than the date of the preliminary announcement of the 2018 results in early 2019.

**Summary**

intu's focus is on delivering strong total shareholder return over the medium term and believes that maintaining cash in the business by reducing the dividend to fund the investment programme will be highly beneficial to the total returns intu can achieve.

Following the withdrawal of the possible offer, intu intends to re-engage with major shareholders, including Peel, and also complete the appointment of a successor to the current Chief Executive where the search is ongoing.

This announcement is the responsibility of Susan Marsden, Group Company Secretary.

**ENQUIRIES**

**intu properties plc**

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**Forward Looking Statements**

This announcement contains certain forward-looking statements, beliefs or opinions, with respect to the financial condition, results of operations and business of intu. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "hope", "aims", "continue", "will", "may", "should", "would", "could", or other words of similar meaning. These statements are based on assumptions and assessments made by intu, in light of its experience and its perception of historical trends, current conditions, future developments and other factors it believes appropriate. By their nature, forward-looking statements involve risk and uncertainty, because they relate to events and depend on circumstances that will occur in the future and the factors described in the context of such forward-looking statements in this document could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and you are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. Except as required by applicable law, intu makes no representation or warranty in relation to them and expressly disclaims any obligation to update or revise any forward-looking statements contained herein to reflect any change in intu's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

There are several factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are changes in global, political, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations and dispositions.



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