

13 August 2015

## Grainger plc

### Trading update

#### **GRAINGER ANNOUNCES STRONG TRADING PERFORMANCE, ACCELERATION OF GROUP STRATEGY AND BOARD CHANGES**

Grainger plc (“Grainger”, the “Company” or the “Group”), the UK’s largest listed residential property owner and manager, today provides a trading update covering its activities for the ten months to 31 July 2015.

Trading highlights for the period include:

- Strong sales performance across Reversionary business
- Exceptional market response to first Build to Rent scheme, Abbeville Apartments in Barking, London
- 929 tenanted PRS units have been acquired since the start of the year

#### **Commenting, Andrew Cunningham, Chief Executive of Grainger, said:**

“In addition to the excellent trading performance over the period, we continue to simplify the Group’s operations and accelerate the growth of our PRS business. Today we can announce that, to increase our focus on the UK market, we have appointed investment bank, Lazard, to advise on the disposal of our wholly owned residential property assets in Germany.

“Our focus on accelerating the growth of our UK PRS business is going well, with recent acquisitions bringing our total managed PRS portfolio in the UK to over 3,400 units, and with a pipeline of over 2,000 units. And last week we were pleased to achieve a significant refinancing package for our syndicated bank debt, reducing our cost of debt and extending maturities.”

#### **Trading performance**

##### **Reversionary business**

Strong trading results

- Sales of vacant properties achieved prices on average 8.3% above September 2014 vacant possession value at margins of 51.2% (31 July 2014: prices achieved at 12.7% above September 2013 vacant possession value with margins of 48.6%).
- Sales pipeline of vacant reversionary assets – £213.8m of sales completed, exchanged or in solicitors’ hands (31 July 2014: £228.1m).

## **PRS business**

### **Strong performance of existing PRS portfolio**

- Continued strong levels of demand for Grainger managed UK market rented properties. Year to date has seen rental increases averaging 6.0% on a like-for-like basis on new lets and 2.3% on renewals (July 2014: 4.2% on new lets and 3.2% on renewals).

### **Acquisition of fully let PRS stock**

- Since the beginning of the year we have acquired 929 tenanted PRS units located predominantly in the English regions for £83.3m. On an annualised basis these acquisitions should deliver around £6.6m of gross rental income and take Grainger's overall owned and managed PRS portfolio to over 3,400 units, one of the largest in the UK.

### **Successfully delivering our Build to Rent pipeline**

- Lettings at our recently completed Build to Rent, PRS scheme in Barking, Abbeville Apartments, have been very strong. Less than eight weeks since the scheme launched on 18 June, we are very pleased to announce that the 100 apartment building is now fully let. The level of demand for the homes has been exceptionally high with over 1000 registered interested parties, leading to rental levels being ahead of plan. Furthermore, 40% of the customers have opted for a three year tenancy agreement, which is appealing for Grainger as it reduces costs and the potential for voids. The scheme will generate gross rent of c.£1.47m, compared to an earlier estimation of £1.34m.
- Our partnership with the Royal Borough of Kensington and Chelsea (RBKC) is progressing well with both the Hortensia Rd and Young St schemes under construction. In addition, we have expanded our relationship with RBKC to include a further five sites, securing additional sales, rents and fees revenue. In total, our RBKC partnership will deliver 122 PRS units worth c.£100m, with additional units for sale and affordable homes to be managed by Grainger.
- We are making good progress on several other purpose built PRS opportunities and we will make further announcements as transactions conclude.

## **Accelerating strategic change and simplifying the Group**

The Company today underlines its intention to simplify the business. We will maximise returns from our regulated portfolio as properties naturally become vacant whilst we grow our PRS business.

### **Germany**

As part of an ongoing wider review of all aspects of our business, we today announce that we have appointed investment bank Lazard & Co GmbH in Frankfurt to advise on the disposal of wholly owned residential property assets in Germany, which are non-core to our UK focused strategy. This will enable the Group to accelerate its strategic and financial focus on its UK residential activities to enhance shareholder value whilst taking advantage of the currently strong market for residential property in Germany.

### **Refinancing of debt facilities**

As announced on 7 August 2015, the Company has recently refinanced its UK syndicated bank debt, reducing its cost and extending its maturity. The new £580m facility, which

represents 44% of total group facilities (£1,332m), will mature in August 2020 (previously July 2016). The margin on the facility has been reduced by 50bps to 170bps. The facility structure enables further pricing benefits to be gained at future lower levels of loan to value. Covenants remain unchanged.

Group average cost of debt has reduced to c.4.6% (5.1% as at 31 March 2015). Average maturity of group debt is now c.5.8 years (c.4.4 years as at 31 March 2015). As at 31 July 2015 and following significant recent investment into regional market rented assets, net debt stood at c.£1,144m.

### **Board changes**

We are pleased to announce three important changes to the Board. The first is an update. As previously announced, Helen Gordon will join the Company as CEO Designate, and we are delighted that she will now join no later than 1 December 2015, earlier than previously announced.

As part of a managed succession, Mark Greenwood will retire from the Company as Finance Director at the end of December 2015. The search for his successor is well advanced and will be announced in due course. The Board is grateful to Mark for his loyal service over the last five years and wishes him well in retirement.

Rob Wilkinson will also now join the Board as an independent Non-Executive Director. Rob brings extensive property and investment expertise and is currently Chief Executive of AEW Europe. This appointment is subject to normal FCA confirmations. There are no further details that are required to be disclosed under Listing Rule 9.6.13R of the UK Listing Authority.

**-ENDS-**

### **For further information:**

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