SEGRO PLC: RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

GROWTH IN RENTS, EARNINGS AND DIVIDENDS SUPPORTED BY FAVOURABLE OCCUPIER MARKETS AND ACTIVE ASSET MANAGEMENT

LONDON--(BUSINESS WIRE)-- Regulatory News:

SEGRO PLC (Paris:SGRO):

SEGRO plc's Full Year 2023 Results have been submitted in full unedited text to the Financial Conduct Authority's National Storage Mechanism and will be available shortly for inspection at https://data.fca.org.uk/#/nsm/nationalstoragemechanism and are also available on the SEGRO website at: www.segro.com/investors. Investors should read the full unedited text of the Full Year 2023 Results, including the description of the Group's principal risks and uncertainties, and not rely only on the summarised information set out in this announcement. Notes or Tables that are not included herein refer to the full unedited text of the Full Year 2023 Results.

KEY MESSAGES:

- Occupier markets remained favourable throughout 2023, supporting a strong operating performance that has driven income and earnings growth, with momentum continuing into 2024.
- Significant progress with our Responsible SEGRO targets, including tracking ahead of schedule with our carbon reduction targets and a large increase in our solar capacity during the year.
- SEGRO is well-placed for further attractive growth as asset valuations start to bottom-out, rents continue to grow and development offers improved profitability at a yield on cost of 7-8 per cent.

Commenting on the results David Sleath, Chief Executive of SEGRO, said:

“SEGRO delivered a strong operating performance in 2023, despite the weaker macroeconomic backdrop. Significant rental uplifts on the standing portfolio and our profitable development programme have driven further growth in both earnings and dividends.

“Last year, tighter monetary conditions resulted in a modest, yield-driven valuation decline; however, we are reassured by continued rental growth across our markets. Market expectations for lower interest rates, if sustained, provide a positive backdrop for a recovery of investment market sentiment as the year progresses.

“In the next three years we expect to increase our passing rents by more than fifty per cent through capturing embedded reversion, leasing vacant units and developing new space. Looking beyond this our exceptional land bank, continuing occupier demand and constrained supply, offer significant additional opportunities for profitable growth.”

HIGHLIGHTS[1]:

- **Favourable occupier markets, along with our customer focus and proactive management of the portfolio, supported new headline rent commitments of £88 million during the period** (2022: £98 million)**,** including £27 million of new pre-let agreements, and a 31 per cent average uplift on rent reviews and renewals.
- **12.5 per cent increase in net rental income to £587 million (2022: £522 million),** driven by development completions and **strong like-for-like rental growth of 6.5 per cent**.
- **Adjusted pre-tax profit of £409 million up 6.0 per cent compared with the prior year (2022: £386 million)**. Adjusted EPS increased by 5.5 per cent to 32.7 pence (2022: 31.0 pence).
- **Adjusted NAV per share down 6.1 per cent to 907 pence** (31 December 2022: 966 pence), reflecting a 4.0 per cent like-for-like portfolio valuation decline (2022: 11.0 per cent decline), as a result of interest-rate driven yield expansion. This was partly offset by **rental value (ERV) growth of 6.0 per cent**, asset management initiatives and development profits.
- **Capital investment of £931 million** (2022: £1.3 billion) in development projects and land purchases, less £356 million of disposals completed during the year significantly ahead of book value.

- **£50 million of potential new headline rent from 625,700 sq m of development completions, delivered at a yield on cost (excluding forward funded schemes) of 7.0 per cent.** 87 per cent of this is already let to customers from a diverse range of sectors.
- **Continued momentum in the development pipeline with 623,900 sq m of projects under construction or in advanced negotiations** equating to £71 million of potential rent, 73 per cent of which has been or is expected to be pre-let. Expected yield on cost for these projects is 7.4 per cent.
- **€103 million (£89 million) performance fee received from SELP joint venture[2]** based on its ten-year IRR of 12.7 per cent which significantly outperformed its hurdle rate**,** resulting in €51 million (£44 million) net benefit before tax to SEGRO (not included in Adjusted profit)**.**
- **Strong balance sheet with access to £1.9 billion of available liquidity and a modest level of gearing reflected in an LTV of 34 per cent at 31 December 2023** (31 December 2022: 32 per cent). Average cost of debt at 31 December 2023 of 3.1 per cent, and interest cover of 3.0 times.
- **2023 full year dividend increased 5.7 per cent to 27.8 pence** (2022: 26.3 pence). Final dividend increased by 4.9 per cent to 19.1 pence (2022: 18.2 pence).

OUTLOOK

SEGRO has one of the highest quality, best located and most modern pan-European industrial warehouse portfolios, with a diverse customer base. Our strategic focus is to ensure that our properties are located in the most supply constrained locations and are of a standard that makes them highly appealing to occupiers - and are therefore able to generate superior long-term rental growth and overall performance.

As we progress through 2024, whilst macroeconomic and geopolitical uncertainty remain elevated, we note that inflation has fallen sharply over recent months and capital market pricing is now implying that interest rates have peaked. If sustained, this provides a positive backdrop for a recovery of investment market sentiment as the year progresses.

Take-up levels are in line with or higher than pre-pandemic levels across our markets, supported by the key structural drivers of occupier demand which remain very much in evidence: data and digitalisation, supply chain optimisation, sustainability and urbanisation. This gives us confidence in the outlook for continued rental growth in line with our medium-term guidance of two to six per cent per annum, particularly as supply remains restricted in the near-term due to low levels of vacancy and limited capital availability for developers; and in the longer-term as public policy, particularly in urban areas, continues to favour housing over industrial usage and severely restricts the use of greenbelt land.

£137 million of our future income growth is underpinned by rent reversion within our existing portfolio, approximately 20 per cent of our current rent roll. Most of this reversion is in the UK and will be captured by the five-yearly open market rent review process, whilst we will continue to benefit from index-linked uplifts on over half of our leases (mostly in Continental Europe).

Further, our high-quality land bank, with the potential to add over £390 million of rental income, provides us with the ability to meet occupier demand through further development. Projects within this land bank, as well as redevelopment opportunities within our existing portfolio such as on the Slough Trading Estate, combine to give the potential for 1.2 GW of new data centre capacity across 24 sites. Our strong balance sheet provides financial flexibility to invest at a time when construction costs are moderating, and supply of new competing product remains low. Development therefore continues to offer a profitable growth opportunity, as demonstrated with improving development yields of seven to eight per cent.

Overall, we believe the present market environment offers an attractive opportunity for profitable mid-term investment, including the ability to grow passing rents by more than 50 per cent over the next three years. SEGRO is therefore well-placed to deliver attractive returns and continued growth in earnings and dividends.

FINANCIAL SUMMARY

	2023	2022	Change per cent
Adjusted[3] profit before tax (£m)	**409**	386	6.0
IFRS[3] loss before tax (£m)	**(263)**	(1,967)	–
Adjusted[3] earnings per share (pence)	**32.7**	31.0	5.5

IFRS[3] earnings per share (pence)	**(20.7)**	(159.7)	–
Dividend per share (pence)	**27.8**	26.3	5.7
Total Accounting Return (%)[4]	**(3.3)**	(12.8)	–

	2023	**2022**	**Change per cent**
Assets under Management (£m)	**20,677**	20,947	–
Portfolio valuation (SEGRO share, £m)	**17,762**	17,925	(4.0)[5]
Net true equivalent yield (per cent)	**5.3**	4.8	
Adjusted[6 7] net asset value per share (pence, diluted)	**907**	966	(6.1)
IFRS net asset value per share (pence, diluted)	**886**	938	–
Net debt (SEGRO share, £m)	**6,016**	5,693	–
Loan to value ratio including joint ventures and associates at share (per cent)	**34**	32	–
Net debt:EBITDA[8]	**10.4**	11.7	–

1 Figures quoted on pages 1 to 18 refer to SEGRO and SEGRO's share of joint ventures and associates, except for land (hectares) and space (square metres) which are quoted at 100 per cent, unless otherwise stated. Please refer to the Presentation of Financial Information statement in the Financial Review for further details.
2 For further information on the SELP Performance fee see Note 6 to the condensed financial information.
3 The primary driver of the difference between Adjusted profit before tax and IFRS loss before tax (£263m IFRS loss before tax versus £409m Adjusted profit before tax) and earnings per share (32.7p Adjusted earnings versus -20.7p IFRS earnings) is the unrealised valuation deficit on our portfolio recognised in IFRS but not recognised in our Adjusted profit and earnings metrics. Further information and reconciliations between the Adjusted and IFRS metrics can be found in Note 2 (Adjusted profit) and Notes 11 (Earnings per ordinary share) to the condensed financial information.
4 Total Accounting Return is calculated based on the opening and closing adjusted NAV per share adding back dividends paid during the period.
5 Percentage valuation movement during the period based on the difference between opening and closing valuations for all properties including buildings under construction and land, adjusting for capital expenditure, acquisitions and disposals.
6 A reconciliation between Adjusted net asset value per share and IFRS net asset value per share is shown in Note 11 to the condensed financial information.
7 Adjusted net asset value is in line with EPRA Net Tangible Assets (NTA) (see Table 5 in the Supplementary Notes for a NAV reconciliation).
8 For further information on net debt:EBITDA see footnote 2 to Table 2 in the Supplementary Notes.

FINANCIAL CALENDAR

2023 final dividend ex-div date 14 March 2024

2023 final dividend record date 15 March 2024

2023 final dividend scrip dividend price announced 22 March 2024

Last date for scrip dividend elections 12 April 2024

2023 final dividend payment date 3 May 2024

2024 Q1 Trading Update 18 April 2024

Half Year 2024 Results (provisional) 26 July 2024

OPERATING SUMMARY & KEY METRICS

	2023	2022
MARKET RENTAL GROWTH REMAINS STRONG DUE TO TIGHT SUPPLY-DEMAND DYNAMICS, PORTFOLIO VALUATION IMPACTED BY INTEREST RATE DRIVEN YIELD SHIFT (see page 9):		
Valuation decline driven by increased yields (50 basis points), partly offset by strong rental value (ERV) growth, active asset management of the standing portfolio and gains recognised on completed development and buildings under construction.		

Portfolio valuation change (%):	Group	**(4.0)**	(11.0)
	UK	**(3.4)**	(13.1)
	CE	**(5.1)**	(7.3)
ERV growth (%)	Group	**6.0**	10.9
	UK	**4.9**	11.5
	CE	**7.9**	9.9
STRONG GROWTH IN RENTAL INCOME DRIVEN BY HIGH OCCUPIER DEMAND AND ACTIVE ASSET MANAGEMENT OF OUR PRIME PORTFOLIO (see page 15):			
Existing portfolio contributed strongly to our rent roll growth through continued capture of reversion in the UK portfolio and indexation provisions on the Continent, supplemented by pre-lets signed during the year.			
Total new rent signed during the period (£m)		**88**	98
Pre-lets signed during the period (£m)		**27**	41
Like-for-like net rental income growth (%):	Group	**6.5**	6.7
	UK	**5.3**	7.7
	CE	**8.5**	4.9
Uplift on rent reviews and renewals (%):	Group	**31.0**	23.3
(note: excludes uplifts from indexation)	UK	**39.9**	28.0
	CE	**7.9**	1.7
Occupancy rate (%)		**95.0**	96.0
Customer retention (%)		**81**	76
Visibility of customer energy use (%)		**81**	68
Corporate and customer carbon emission (tonnes CO_2e)		**254,168**	272,218
INVESTMENT ACTIVITY REMAINS DISCIPLINED AND FOCUSED ON SECURING PROFITABLE GROWTH (see page 12):			
Capital investment continues to focus on our development programme (through capex and securing land to provide future growth opportunities). Development capex for 2024, including infrastructure, expected to be approximately £600 million.			
Development capex (£m)		**527**	787
Asset acquisitions (£m)		**–**	155
Land acquisitions (£m)		**404**	712
Disposals (£m)		**356**	367
DEVELOPMENT PIPELINE HELPING TO GROW OUR RENT ROLL (see page 13):			
Our active and largely pre-let development pipeline remains a key driver of rent roll growth and attractive returns on capital. Potential rent of £71 million from projects currently on site or expected to commence shortly at a yield on cost of 7.4 per cent.			
Development completions:			
– Space completed (sq m)		**625,700**	639,200
– Potential rent (£m) (Rent secured)		**50 (87%)**	46 (80%)
Average embodied carbon intensity ($kgCO_2e/m^2$)		**348**	353
Current development pipeline potential rent (£m) (Rent secured)		**51 (62%)**	67 (73%)
Near-term development pipeline potential rent (£m)		**20**	19

WEBCAST / CONFERENCE CALL FOR INVESTORS AND ANALYSTS

A live webcast of the results presentation will be available from 08:30am (UK time) at:

https://www.investis-live.com/segro/65a5393dbacfa60c00652ed9/ater

The webcast will be available for replay at SEGRO's website at: http://www.segro.com/investors shortly after the live presentation.

A conference call facility will be available at 08:30am (UK time) on the following number:
Dial-in: +44 (0)800 279 3956
+44 (0) 207 107 0613
Access code: 43520861

An audio recording of the conference call will be available until **23 February 2024** on:
UK: +44 (0) 203 608 8021
Access code: 43520861#

A video of David Sleath, Chief Executive discussing the results will be available to view on www.segro.com, together with this announcement, the Full Year 2023 Property Analysis Report and other information about SEGRO.

ABOUT SEGRO

SEGRO is a UK Real Estate Investment Trust (REIT), listed on the London Stock Exchange and Euronext Paris, and is a leading owner, manager and developer of modern warehouses and industrial property. It owns or manages 10.4 million square metres of space (112 million square feet) valued at £20.7 billion serving customers from a wide range of industry sectors. Its properties are located in and around major cities and at key transportation hubs in the UK and in seven other European countries.

For over 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.

A commitment to be a force for societal and environmental good is integral to SEGRO's purpose and strategy. Its Responsible SEGRO framework focuses on three long-term priorities where the company believes it can make the greatest impact: Championing low-carbon growth, Investing in local communities and environments and Nurturing talent.

See www.SEGRO.com for further information.

The financial information set out in this announcement does not constitute the consolidated statutory accounts ("**Group Financial Statements**") for the years ended 31 December 2023 and 2022, but is derived from those Financial Statements. Statutory accounts for 2022 have been delivered to the Registrar of Companies and those for 2023 (approved by the Board on 15 February 2024) will be delivered following the Company's annual general meeting. The external auditor has reported on the Group Financial Statements for the year ended 31 December 2023 and their report did not contain any modification.

The Board of Directors of SEGRO plc met on 15 February 2024 and approved the Group Annual Report and Financial Statements for the year ended 31 December 2023. Certain parts of the Group Annual Report and Financial Statements have not been included in 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 performance, costs, revenues and other trend information. All statements other than historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations and all forward-looking 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 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 announcement is provided as at the date of this announcement 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 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 announcement should be construed as a profit estimate or profit forecast. The information in this announcement does not constitute an offer to sell or an invitation to buy securities in SEGRO plc or an invitation or inducement to engage in or enter into any contract or commitment or other investment activities.

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.

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