

Intu Debenture PLC

Q3 Update Call Recording Available

RNS Number: 6757S

INTU DEBENTURE PLC

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£354,876,000 5.562 per cent. First Mortgage Debenture Stock 2027

INTU DEBENTURE PLC (THE "**COMPANY**") ANNOUNCES Q3 UPDATE CALL RECORDING AVAILABLE ON COMPANY WEBSITE

17 November 2021

Stockholder Call Recording Available

Further to the Company announcement made on 3 November 2021 (the "**Q3 Update Call RNS**") announcing a call with Stockholders to provide an update in respect of both trading numbers in the financial quarter ending on 30 September 2021 and with respect to the timing to issue a Notice of Meeting at which Stockholders would be asked to approve an Extraordinary Resolution regarding the proposed amendment and restructuring transaction (the "**Q3 Update**"), the Company announces that a recording of the Q3 Update Call, which took place at 9:30am GMT on 16 November 2021 (the "**Q3 Update Call**"), is now available on the Company's website at <https://debentureplc.com/quarterlyreports/>.

On the Q3 Update Call, directors of the Company and individuals from APAM Limited, the Company's asset manager ("**APAM**") presented a brief overview of the Q3 Update (the "**Q3 Company Presentation**") and answered queries from those Stockholders who registered to attend in accordance with the procedure set out in the Q3 Update Call RNS (the "**Q3 Stockholder Q&A Session**").

No commercially sensitive or price sensitive information was discussed or disclosed during the Q3 Company Presentation or during the Q3 Stockholder Q&A Session, save for such information that had previously been publicly discussed or disclosed. High-level summaries of both the Q3 Company Presentation and the Q3 Stockholder Q&A Session are provided below. Such summaries provide neither an exhaustive nor a complete description of the Q3 Company Presentation or the Q3 Stockholder Q&A Session and should be considered as summaries only. Stockholders who are interested in the matters discussed during the Q3 Update Call are encouraged to review the recording of the call.

Q3 Company Presentation

During the Q3 Company Presentation directors of the Company and individuals from APAM provided an overview of the Debenture Plc Stockholder Update Report Q3 2021 dated 9 November 2021, which is available on the Company website at <https://debentureplc.com/quarterlyreports/>. Key points arising from the Q3 Update that were noted by the Company and APAM included:

- The Debenture Group's available cash position as at 30 September 2021 was approximately £19 million, which reflected a positive variance of £6.6 million to the forecast of £12.3 million as at the end of September 2021. APAM noted that this was a consequence of some permanent matters such as improved levels of Q3 2021 rent and service charge collections and some matters which were of a more temporary nature, including a deferral of expenses and certain capital expenditure ("capex") and other cash preservation initiatives. Given the short-term factors contributing to the relatively healthy available cash position, APAM noted that the Debenture Group is continuing to tightly manage liquidity with a forecast cash balance of £19.5 million to January 2022
- APAM noted that since the end of Q3 2021, rent and service charge arrears have continued to be collected, and there is now a combined collection of rent and service charges reflecting 79 per cent of the rents and service charges billed in Q3 2021 as at 25 October 2021.
- In Q3 2021, nine new leases were completed, which secured an additional £270,000 per annum in rent. The trend in new leases is for a shorter lease period with the inclusion of break and turnover rent clauses. The rents are also rebasing at a lower level than passing rent within the shopping centres. APAM highlighted that there is a trend emerging in tenant requests for capex rather than rent free periods, which is likely to have an impact on cashflow.
- In respect of lease renewals, APAM noted that they are relatively successful in retaining existing tenants, however, there is a downward trend in rent from that being charged prior to the renewal. Of the 13 lease renewal transactions in Q3 2021, the rental level agreed was £0.58 million per annum below the previous passing rent. In terms of renewals, the average term has also generally been shortened and is now, on average, at a 3-5 year term as opposed to a 10 year term.
- In terms of regulations, APAM highlighted that the moratorium preventing landlords taking action in respect of rent arrears has been extended to March 2022. The Government of the United Kingdom has started to clarify the arbitration process it intends to impose for COVID-19 rent arrears. In any event, this arbitration process will not be available to landlords until at least March 2022.
- In terms of both the true-up exercise being conducted under the Transitional Service Agreement with the Administrators of the wider Intu Group (which is expected to result in certain refunds being delivered to the Debenture Group) and the broader restructuring transaction, the Company noted that the timing is being set by the Administrators and is outside the immediate control of the Company. The Company noted that it is, however, doing everything it can to maintain momentum and is targeting completion for both the restructuring and the true-up refunds in Q1 2022.
- APAM and the Company are reviewing the business plan for the Debenture Group and targeting having a revised business plan prepared by the end of Q1 2022, which will require further strategic thought and analysis of (1) a feasibility study for the ski centre at Xsite; (2) a shared vision for the Eldon Square site with Newcastle City Council (which holds the freehold to Eldon Square); and (3) a utilisation plan for space left vacant at both Eldon Square and the Potteries shopping centres vacated by Debenhams.
- APAM noted that it is targeting having an updated Q1 2022 cashflow issued in the week commencing 20 December 2021.
- In terms of asset valuations, the assets are valued every 12 months at the end of the year. As in years past, CBRE has been appointed as the valuers and APAM has scheduled meetings in early January 2022 to finalise the valuation process.

Q3 Stockholder Q&A Session

During the Q3 Stockholder Q&A Session, Stockholders which registered to attend in accordance with the procedure set out in the Q3 Update Call RNS, raised the following key questions, with relevant summaries of responses from the Company and/or APAM being provided as follows:

1. **Stockholder Question:** *Can the Company share more information on the discussions taking place with Newcastle City Council in respect of Eldon Square?*

Company / APAM Response: *The situation is complex as Newcastle City Council owns the freehold to Eldon Square and the Company occupies the shopping centre under a number of complex long leasehold arrangements. The Company makes payments on the basis of both a fixed ground rent and a share of net rental income. The Company's objective is to improve the terms of its long lease arrangements and the objective of Newcastle City Council is focused on the long term look and feel of the city. There is no obvious or easy way to align these objectives and it is expected to take a period of time before the Company and Newcastle City Council arrive at a shared vision for the site, with the caveat that it is possible that no shared vision will ever be achieved.*

2. **Stockholder Question:** *How much uncollected rent is there in total, including service charges?*

Company / APAM Response: *Total arrears across the Debenture Group's portfolio in Q2 2021 was just over £18 million and by the end of Q3 2021, total uncollected rent and service charges is now just over about £16 million.*

3. **Stockholder Question:** *Is there a strategy in place for XSite and what considerations are being given to an exit from this site?*

Company / APAM Response: *Although the ski slope has always been let, the element that impacts liquidity is the failure of the tenant to pay rent during and prior to COVID-19, which has resulted in significant rent arrears. Discussions are ongoing at a commercial level.*

4. **Stockholder Question:** *How much capex does the Company require to re-engineer the Snow Factor unit at Xsite and is there likely to be a need for additional cash funding into the Debenture Group?*

Company / APAM Response: *There are a wide-range of possibilities for the site, including finding a new tenant or entirely re-configuring the site for alternative uses. The Company is currently still working to quantify the amount of capex required for the various options. However, its working assumption is that the only capex that can be incurred is from the cash available to the Company through rent collections. At this point, there is no intention to request capex from the Stockholders or to request provisional funding. The Company's overarching priority is to prioritise those capital projects that will give the greatest enhanced value and it is a matter of prioritising the capital projects on which to deploy the Company's limited resources.*

5. **Stockholder Question:** *In terms of the trend to include capex instead of rent-free in new leases and lease renewals, does the Company consider the cash-drag on capex being offset by the lower rent free periods?*

Company / APAM Response: *The capex is not having a negative impact on the level of rent that can be agreed with tenants. In the trade-off between rent-free and capex, the cash-flow is similar over the life of the lease. Capex as part of these transactions does place immediate strain on cash-flow even though it may all work out similarly in the long-term.*

The Company will continue to keep Stockholders notified of any relevant developments in accordance with applicable law and regulation.

Capitalised terms used in this Notice and not otherwise defined shall have the meanings given to them in the Supplemental Trust Deed dated 30 July 2020 and the trust deed dated 5 October 2006 (as amended and supplemented from time to time and together with the Supplemental Trust Deed, the "**Trust Deed**") constituting the Stock and made between the Company, the Charging Subsidiaries (as defined in the Trust Deed), and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**"), unless the context otherwise requires.

Please note that the Trustee has not been involved in the preparation or formulation of the Q3 Update, this announcement or any announcement in respect of the Q3 Update or the Q3 Update Call and did not participate in the Q3 Update Call and expresses no views or opinions on the Q3 Update or the Q3 Update Call or this announcement. Stockholders are advised to take their own legal, financial and/or tax advice in relation to the Q3 Update and the Q3 Update Call.

Stockholders should contact the following for further information:

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(Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Open between 09:00 -17:30, Monday to Friday excluding public holidays in England and Wales)

Email: shareholderenquiries@linkgroup.co.uk

Alvarez & Marsal Europe LLP and Milbank LLP have been retained as financial and legal advisers to an ad hoc group of Stockholders. Their contact details are as follows:

ProjectIrisAMTeam@alvarezandmarsal.com and Iris@milbank.com.

This announcement is made by Intu Debenture PLC

Dated: 17 November 2021