S&P Global
Market Intelligence

Hammerson plc LSE:HMSO

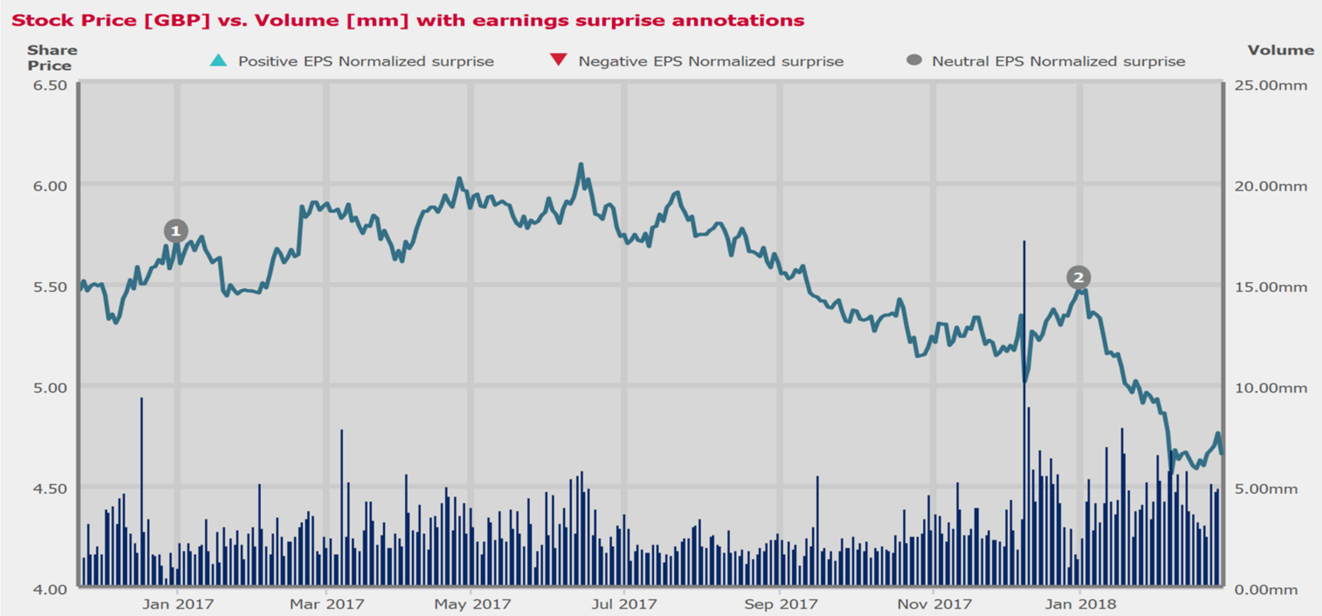
FY 2017 Earnings Call Transcripts

Monday, February 26, 2018 9:00 AM GMT

S&P Global Market Intelligence Estimates

	-FY 2017-			-FY 2018-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.31	0.31	0.00	0.33
Revenue (mm)	414.87	421.90	1.69	416.74

Currency: GBP
Consensus as of Feb-26-2018 8:37 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FY 2016	0.29	0.29	1 0.00 %
FY 2017	0.31	0.31	2 0.00 %

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Call Participants

EXECUTIVES

David John Atkins
CEO & Director

Jean-Philippe Mouton
Managing Director of France

Mark Richard Bourgeois
Managing Director UK & Ireland

Nicholas Timothy Drakesmith
Director

Peter William Beaumont Cole
Consultant

ANALYSTS

Christopher Richard Fremantle
Morgan Stanley, Research Division

David Brockton
Liberum Capital Limited, Research Division

Hemant Kumar Kotak
Green Street Advisors, LLC, Research Division

Marc Louis Baptiste Mozzi
Societe Generale Cross Asset Research

Michael James Burt
Exane BNP Paribas, Research Division

Sander Bunck
Barclays Bank PLC, Research Division

Unknown Analyst

Presentation

David John Atkins
CEO & Director

Right. Well, good morning, everyone. Many thanks for joining us for our 2017 full year results' presentation. Now it's been a busy and important year for the business. So today we are going to take a more in-depth look than in previous years. So it's a slightly longer presentation than usual. So I hope you are all sitting comfortably.

I'm going to first take you through some of the highlights followed by more detail on our strategy and the continued evolution of today's retail market and how our portfolio is well positioned. Next Timon will talk through the numbers, and then, again, Timon, Mark, Jean-Philippe will, as I said, provide you with greater insight into our strong operating performance. Before then I will update you on our progress with Intu transaction, and we open up for your questions.

So turning to Slide 3. I'm very pleased to report another successful year for us against a mixed retail backdrop. We continue to deliver on our strong track record of growth with earnings per share up 6.5%, dividend per share up 6.3% and NAV per share up 5%.

Proving our premium space remains in high demand, we once again had an impressive year on the leasing front. We achieved our highest ever level of leasing activity with the volume of leasing up by 34% and occupancy at its highest level for 17 years. And we continue creating destinations with enduring shopper appeal as footfall outperformed the wider market in both the U.K. and France. It's also worth pointing out our retail venues attract some 430 million shopper visits per year.

On the operational front, growth in net rental income in France and Ireland delivered a positive uplift of 2.6% and 7.4%, respectively. And again, premium outlets continued to generate stellar sales growth up over 9%. Our disciplined capital recycling strategy generated over GBP 400 million in proceeds, with an encouraging strength and depth in buyers. And in the first 2 months of this year, we've exchanged on sale of 2 retail parks.

The acquisition of further interest in Value Retail for GBP 76 million is announced this morning. This takes our ownership of the exceptional Bicester Village to over 50%.

Of course, announced at the end of 2017, our proposed acquisition of Intu concluded a really active year for us, and moving forward, the combined business will further enhance our portfolio of high-quality retail venues.

Now as I've highlighted, it's clear that 2017 has been a successful year for us, and I'm delighted that these results continue our impressive growth over the last 5-or-so years.

You can see that this is illustrated in our track record for both earnings and valuation performance, which is driven by ongoing strong demand for a well-managed space. It's worth noting that through a mixed environment, we've grown earnings by close to 50% over the period shown on the chart. And over the past 12 months, we've also continued to deliver dividend growth in line with our previous consistent performance of 6% to 8%. And Timon will come on to discuss what underpins this later on.

Now before we look at the current environment and market trends in more detail, a quick reminder on our clear and focused strategy, which is designed to produce a consistently positive income performance. It's a focus on growing consumer markets. We are present in 13 countries around Europe, but we are concentrating on faster growth catchments as opposed to countries. Think Dublin, Marseille and Bicester rather than France, Ireland and U.K. Our differentiated destinations need to continually surprise and delight shoppers delivering above average footfall and repeat visits for our retailers.

And finally, how we efficiently source capital to grow and form strategic partnerships to extend our business. Our operational relationships remain a vital component to the future success of the business.

The proposed acquisition of Intu absolutely delivers against our 3 core strategic principles, and that will increase the future -- and will increase the future performance of the enlarged group.

Now I want to spend a few minutes examining what is happening in the current retail and consumer markets.

It's clear that the continued evolution in retail has opened up the number of channels for brands to choose from as they strive to reach their audience. The Internet has opened up many more channels. But there are growing reasons why leading retail venues are the best channel for brands to engage directly with their customers. Highlighted here, we have identified different retail categories who seek to utilize the best physical space for maximum effect. On the left, consumer brands such as Apple and Rapha have long realized the value of their popularity and have kept a close control on the customer relationship. And only last week, Nike, frustrated perhaps by being disintermediated by the Internet and weak retailers, announced that they are reducing the number of retail partner distribution channels from 30,000 to just 40. And it's no coincidence that we're currently negotiating a new flagship store for Nike at the enlarged Brent Cross. The same concept is prevalent in the luxury goods market and premium outlets. Brands like Prada and Gucci will only work with the best outlet operators to distribute their surplus stock and protect their valuable brand equity.

As shown in red, business model of aspirational and fast fashion. Retailers like Zara and COS will always require and benefit from the high sales volumes and national store network and coverage of major catchments provides.

Homeware operators are taking more space, particularly in clusters on retail parks, and they're benefiting from stores, which showcase their ranges in a lifestyle setting, so customers can experience the products before purchasing these big-ticket items.

And finally, shown in purple on the right, pure-play online retailers have recognized that there are limitations to online retailing. They need to increase their connection and loyalty from their customers.

Online retailers are being driven to take physical space in the best locations to enrich their brand value and to often offer consumers fun, which is hard to do from the screen.

What has become clear over the past 12 months is multichannel does not mean any channel. Brands want to work with trusted channels and destinations like ours provide just that: A branded venue that shoppers trust.

Now I will strongly encourage you to remember that all retail is not equal, in the same way that all -- not all locations are well placed to support the future needs of brands. The chart on the left demonstrates our portfolio is positioned where the share of shopper spend remains positive. As you can see from the data, the market share for Hammerson shopping centers on the left is growing and the shift to online is at the expense of other weaker retail locations, those without winning retail formats.

Now these trends have top centers gaining spending market share and attracting more brands who wish to enhance the direct relationship with their customers are key factor behind our proposed acquisition of the Intu business. To be clear, asset quality is key to our continued success. Now this chart shows the breadth in asset quality in the U.K. shopping center market, ranked against -- ranked according to quality as measured by the local data company. The quality bandings are based on metrics, including strength of catchment, type of anchor stores, share of leisure, vacancy rate, dwell time, and so on.

Now adding Hammerson's centress to the chart, shown here in blue, you'd rightly expect our portfolio to be heavily weighted towards the superior end, as we expertly manage our centress to ensure they exceed the vast majority of the market. Now let's add Intu, shown here in orange. It may come as a surprise that the quality of Intu's portfolio is also overwhelmingly positioned in the top 3 categories. To be absolutely clear, there is no tail.

The combined portfolio includes a very high proportion and total 92% by value of U.K. shopping centress in those top 3 categories. And there is plenty of opportunity in the combined portfolio to drive future performance through our skillful management. And to be frank, the more we look at this business and the portfolio, the more excited we become.

Capital recycling has long been a mainstay of Hammerson's core business. It's a philosophy rather than a one-off event. As we've announced, we have identified GBP 2 billion of assets to dispose of, roughly 10% of the combined business, over the medium term. And our confidence in our ability to successfully transact this is founded on our consistent and successful track record. Our disposal program enhances the overall performance of the Group. And as you can see from the chart on the left, we have generated at GBP 1.2 billion of proceeds over the past 3 years, broadly in line with book value, which demonstrates our skill of execution and represents well over 10% of our current portfolio. As you can see from the chart on the right, there is a diverse mix of buyers for well-invested and well-managed real estate. There remains clear investment demand, and we've already disposed of just under GBP 100 million worth of properties so far in 2018.

Now turning to Slide 10. Here you can see our future capital recycling opportunities and the composition of the enlarged group post completion of the Intu acquisition. In the dark blue, you can see the top 10 U.K. shopping centress by value with the light blue being our remaining shopping centress and retail parks. Premium outlets are in turquoise, Ireland in yellow, Spain in purple and our development opportunities in red, with our GBP 2 billion worth of earmarked disposals highlighted in black.

In 2018, you can see that 64% of the GBP 21 billion portfolio is in high-growth segments. If you fast-forward to 2021 and following additional disposals and reinvestment, the makeup of the portfolio is further enhanced with 72% of assets in our high-growth categories with an increased portfolio waiting in Europe and premium outlets. So before I hand over to Timon for the numbers, a quick recap.

As you saw earlier, we are acquiring a high-quality portfolio, and this was illustrated last week when Intu posted a good set of numbers. The more we look at the business, as I said, the more excited we are about the opportunity. And we see strong potential in the assets in the development pipeline and the potential to create the best retail team in the sector. With that, I will hand over to Timon for the numbers.

Nicholas Timothy Drakesmith
Director

Well, thank you, David, and good morning, everybody.

I got 5 areas to cover in this finance section: A review of the 2017 performance, including net rental income trends; analysis of cost-income ratios; a new debt facility to reduce interest expenses; our 2018 disposal plans; and the discussion of drivers of future earnings per share growth.

But first the headline results, which we think show attractive performance levels delivered in a mixed external environment. Net rental income at GBP 370.4 million is up 6.9% on 2016 due to rents from recent developments, acquisitions and a good underlying like-for-like increase. Adjusted profit is up 6.8% on last year driven by growth in rental income, management fees and premium outlet profits. This translates into an earnings per share figure of 31.1p, rise of 6.5% on 2016. On our total dividend of 25.5p a share is up 6.3% year-on-year.

Turning to the balance sheet. The property portfolio is valued at GBP 10.6 billion at December 20, 2017, showing a capital value uplift of 2.2%. And NAV per share came at GBP 7.76, up 5% on December 2016 boosted by that increased portfolio valuation. The loan-to-value ratio is 36% at December 2017, stable on last year.

So next I'd like to examine trends in net rental income.

Here I summarize changes in like-for-like net rental income by sector and the table covers growth in 2017. As you can see, U.K. shopping centers generated an uplift of 1.8% with significant contributions from centers in Reading, Southampton, and Glasgow. U.K. retail parks posted a 2.5% full in like-for-like net rental income, and more on that in a moment. French retail had a good year, with uplifts at Marseille and Cergy being the main drivers of a 2.6% growth. Ireland's uplift of 7.4% is very positive with a great performance from Dundrum, and premium outlets delivered like-for-like growth of 15.3% mainly due to excellent results at Bicester Village and our center in Madrid. And this gives a pro forma group total of 4.4% shown in the bottom left.

Now I would like to return to the U.K. with some detail on shopping centers and retail parks. The table in the top right shows how shopping center core rents grew by 2.3% in 2017. But the overall sector figure was pulled down by a negative 0.5% year-on-year change in car parks. This is due to some lower volumes and the one-off impact business rates.

In retail parks, as highlighted in July, we had a drop-off in surrender premia, which hit 2017 net rental income performance. Underlying rental growth is a positive 2.4% in 2017. But the year-on-year movements in the surrender premium caused a negative 4.9% impact. We're targeting a positive like-for-like NRI growth in 2018 for retail parks.

Now on this page, we present the adjusted profit walk, which explains year-on-year changes from last year's reported number of GBP 230.7 million shown in blue on the left. So moving across the chart, like-for-like NRI growth improved profits by GBP 2.7 million and net acquisitions increased profits by GBP 7.3 million. Premium outlets contributed an uplift in profits of GBP 7.6 million, driven mainly by a strong performance from VIA, and the additional rent from completed developments and extensions boosted profits by GBP 6.4 million.

Foreign exchange and tax also benefited an uplift in profits. There was a modest year-on-year increase in administration expenses although the cost-income ratio fell. Our net interest expenses increased by GBP 10.9 million as a consequence of the loan to property conversion in Ireland reducing interest receivable. There was a corresponding offset in the net acquisitions bar. This resulted a 2017 adjusted profit figure of GBP 246.3 million and up an excellent 6.8% on last year.

Now, as you know, over the last 6 years, we have worked hard to improve Hammerson's cost-income ratio. Looking at the bar, you can see how it's fallen by 490 basis points over that period to 21.6% in 2017. The gray segments illustrate how we've managed down operational costs. And it's instructed to compare our 2017 ratio with Intu's at 19.4% as shown in the orange bar. We believe there are significant opportunities to benefit from combining the 2 U.K. operating platforms across the areas of facilities management, utilities, cleaning and security. Our post-completion planning has identified many potential initiatives. This is in addition to the corporate overhead synergies of GBP 25 million per annum, as previously announced, which will serve to reduce the corporate tax expenses bar in blue.

Now turning to the property valuation. We've segmented the portfolio by sector. These changes in value are shown in constant currency. And I'm going to review the main movements in the first column of numbers before addressing the key drivers in the gray box. The largest segment, U.K. shopping centers, is up 0.7% over the year with 1.1 percentage points of income growth being partially offset by targeted CapEx shown in the other column. U.K. retail parks saw a capital decline of 2.9% in 2017 due to unfavorable yield movements due to the investment market weakness of large lot-size parks.

In France, our portfolio was up 0.3%. And shown in the next row is our Ireland portfolio down 0.3%. Although income growth was strong at 3.5%, in the other column we have the impact of the one-off stamp duty increase in the autumn. Without the stamp duty increase, values would have been up 3.9% year-on-year.

Premium outlets generated a capital growth of 11.5%, which nearly all is driven by excellent income growth including from the extension of Bicester Village. Overall, the total portfolio had a capital return of 2.2%, the vast majority of which was from uplifts in income.

Now shifting to the analysis of debt. Our balance sheet remains solid and consistent with our financing policies. The December 2017 column in the middle shows total net debt of GBP 3.5 billion, up slightly from the end of 2016 due to acquisitions and development CapEx. Gearing at year-end was 58%, down 1 percentage points on last year. And the LTV ratio at December '17 of 36% stable on the previous year. We had substantial liquidity of nearly GBP 1 billion at December 2017. The bottom half of the table looks at some detailed ratios. As you know, we've been targeting the cost of debt, which has fallen again, this time by 20 basis points to 2.9% due to a variety of new bank and bond deals.

Interest cover ratio is slightly down on 2016, but net debt-to-EBITDA ratio has improved to 9.3x. Our hedging policies will continue to be around the 80% level, providing protection from interest rate and foreign exchange volatility.

Now this morning we've announced a new GBP 1.5 billion three-year credit facility to support the refinancing of Intu's debt arrangements. Terms have been agreed with our bank group for this new facility to have an initial margin of 100 basis points for an annual interest cost of around GBP 23 million if fully drawn. We plan to use this new facility to refinance Intu's major near-term debt obligations, some of which have change of control provisions. The table in the bottom left shows selected Intu bank and facilities and bonds, which total GBP 1.49 billion and have an annual interest expense of over GBP 38 million, if fully drawn.

As you can see, there is a significant opportunity here to reduce the combined group's interest costs and support EPS growth.

As you know, we have a disciplined approach to capital recycling to maintain balance sheet strength and expansion into growth markets. And let's look at the disposal program in more detail. Since 2015, we and Intu have sold a total of GBP 2 billion of property with an average disposal run rate of around GBP 660 million per annum. This is shown in the blue bars on the left. Looking forward, we have identified a further group of disposal candidates of at least GBP 2 billion, including properties in the Intu portfolio and this is shown in the green bar. For 2018 at Hammerson, we expect to raise GBP 500 million. And as David has mentioned, we have already sold more than GBP 90 million. Over the next 3 years, the total combined development CapEx is around GBP 1.3 billion with an annual average run rate of around GBP 440 million. This is shown in the red bar on the right. We've included the major projects and further details are explained in the appendix to your pack.

The key message is our development projects can be financed from internal resources as we retain funding flexibility.

So finally, for the finance section, a review of earnings per share growth drivers in the past and the future. And let's consider the last 5 years where earnings per share has risen nearly 50% since 2012, as shown by the blue bars. The key drivers reading down the left-hand side were uplifts generated by rental income from development projects and profit growths from the outlet business. These are offset by higher debt and interest charges and an increase in overhead and other costs.

Now looking forward over the medium term, we've identified positive or negative trends and these are assigned to the categories shown in the boxes. This includes our assessment of the Intu transaction. We anticipate that net rental income growth will be supported by operational efficiencies even if the U.K. market is tough at the moment. Pipeline projects will boost rental income and further growth in profits from outlets will be supported by secular demand. Disposals are likely to be negative to earnings per share as we sell that over GBP 2 billion of properties I just mentioned. Deleveraging and lower interest expense will be positive. And finally, we believe the overhead synergies will be significant.

The precise evolution of earnings per share will be dependent on the phasing of disposals. But we will balance deleveraging with our ambition for growth. And at the time of the Intu transaction announcement, we stated that the deal is expected to be earnings per share accretive. And I hope you can see why based on these factors.

Okay. So let's turn to the portfolio review, and I'm going to start with premium outlets. And just to get us going, there is a lovely photograph of Bicester Village.

Now as you can imagine, we are pleased with the 2017 outlets operational performance, particularly sales growth of VIA which was up 13% year-on-year. We're seeing the results of our re-merchandising, reconfiguration and marketing efforts with VIA sales densities improving by 9% with plenty of headroom for future growth. Sales density growth was boosted here by Prague and Lisbon and Value Retail at Bicester, Barcelona and the Madrid villages. Our exposure to the high-growth outlets market remains a strategic advantage for Hammerson, delivering excellent total returns, as you can see in the bottom row of the table.

Looking on the right of the page, we've just purchased a portfolio of stakes in the Value Retail villages for GBP 76 million. The package is mainly Bicester partnership positions, which takes our economic interest to over 50% of this amazing village. The portfolio also includes modest stakes in the top-performing Value Retail villages in Barcelona, Madrid and Paris.

In the second half of 2017, we acquired a center [size] of Oslo, which boosted the year-end gross valuation of VIA to EUR 1.4 billion or Hammerson share of GBP 600 million. We achieved this significant market position through multiple acquisitions in only 3 years.

International tourism continues to be an important driver of outlet sales growth throughout Europe. It represents about a quarter of Value Retail sales and its proportion over the total is increasing. The year-on-year growth rates by source market, as shown in the table, China is our biggest market and grew 16% over the year. And South and East Asia were also up 17%. The Gulf was impacted by events in Saudi. But Russia and India grew strongly, as you can see. And in total, tax-free sales are growing 14% over the year, as you can see at the bottom of the table.

Now I think it's well understood by our shareholders, the long-term investment in premium outlets has generated superb returns. We've been conscious of requests to provide more information on a center-by-center performance. And in this chart, we show the relationship between rental value growth on the X axis and net operating income yield on the Y axis. Our major outlet centers are illustrated with size of the blue bubbles representing the December 2017 valuation on a 100% basis. You can see the larger villages near Bicester, Madrid and Barcelona offer a combination of strong rental growth and comfortable yields. A comparison with trophy London retail or logistics would be striking. Our outlets offer better rental growth and yields.

Of course, this reminds us why Hammerson is so fortunate to have such a major position in premium outlets, and why we continue to invest with our partners to expand the platform.

So that's it from me. And I'm going to hand over to Mark.

Mark Richard Bourgeois
Managing Director UK & Ireland

Thank you, Timon, and good morning. Now I'm going to talk you through U.K. and Ireland centers. But before I do that, what better way to get things off with another stunning picture and this one is our Las Vegas themed event, which marked the launch of our Riverside project in Oracle in Reading last year, and it was quite a night.

Now before I focus on the U.K., I want to highlight what a fantastic year it's been for leasing across the whole group. This slide illustrates the impressive volume of new leasing referred to earlier by David up 34% on 2016. And leasing has been strong across all of our portfolio, in the U.K., France and Ireland. Those lettings have come from a broad range of sector brands from personal luxuries such as RITUALS to outdoor performance wear of North Face. Homewares have been strong across the parks, for example, Oak Furniture Land and Fabb Sofas. And we've added new brands to our French portfolio such as Coach and Benetton. Cars, jeans, coffee, jewelry are just some of the sectors in which we -- and I will talk about more about those in the leasing strategy later.

Volumes are consistent throughout the year, highlighting the continued popularity of our venues in this rapidly evolving retail property market.

So now focusing on U.K. shopping centers. I'm pleased to say there are some solid KPIs in here. We've achieved good pricing levels, 8% ahead of ERV, delivering growth during the year to just under 1%.

Tenant incentives are broadly unchanged with an average of 10 months. And in the chart below, we provide new detail, which shows the vast majority, 80%, were no more than 12 months.

Now notwithstanding store sales being down 2.7%, the outstanding volume of leasing up 49% last year points strongly to the online halo effect, which is driving store demand. So retailers were investing in ever more attractive environments, as illustrated here on the right. Penhaligon’s at Leeds and Paperchase in Glasgow being 2 great examples.

Our successful leasing strategy is driven by our own insight into consumer's trends and this slide illustrates how we use that data to target the most relevant brands and categories. This chart shows the relationship between category store sales across our U.K. shopping centers shown on the horizontal axis and Hammerson's share of new leasing volumes shown on the vertical.

Now in the top right, highlighted here in red, you have categories where store sales are currently performing most strongly. For example, ath-leisure brands such as JD Sports are in strong demand by our shoppers. So we are adding more space. The same goes for leisure, which combined with F&B now forms 13% of our total space.

Now conversely in the bottom left in turquoise, we've reduced the proportion of new space leased to high street fashion brands. For example, New Look, where sales have been under pressure. We learned something about the role of multichannel from this data as well. Demand from consumer brands highlighted here in blue, such as Samsung, Nespresso, Bose and VW are growing. And as David explained earlier, as these brands find disintermediation in online marketing, they are focusing more on traditional channels to promote their brand such as stores where they gain direct physical exposure to the customer in high footfall locations.

Now it might surprise you to see those categories highlighted here in purple with negative store sales simultaneously growing leasing volumes by 3% to 4%. Well, these brands recognize the importance of impactful stores to show off the brand and drive online sales. So we're seeing more experiential, aspirational fashion brands like Paul Smith, All Saints, and Jo Malone in this segment and also online names like sofa.com.

As an extension to this analysis, let's take a closer look at leasing trends specifically within the apparel category. This remains a dynamic and important category for our venues where we've consciously reduced this as a proportion of overall leasing volumes, shown in the chart on the left, from close to 40% in 2015 to 1/3 in 2017, as we lease more space to those growing nonfashion categories I touched on in the previous slide.

The graph on the right shows the selection of subsegments within apparel lettings between 2015 and 2017. And you can see how evolving consumer preferences have shifted the focus of our leasing strategy over the 3 years. Leasing to high street fashion is down. Topshop will be a good example here. And aspirational ath-leisure leasing is up, with brands such as Gant, Levi's and JD Sports taking space.

Now to the F&B market. Clearly, this has attracted it's fair share of headlines recently, but like retail, the market is segmented. On the left, grab-and-go operators are performing well and the sector is growing again having faced new competition. McDonald's, I'm sure, everyone's guilty pleasure, is a great example of evolving their store fit as well as menu.

On the right, the aspirational dining sector is also doing well, and we are seeing high quality brands such The Ivy and D&D expanding.

Now is a more mixed picture in the mid-market segments. Following a flood of private equity backed new brands into the sector, tough competition and significant cost pressures have led to some high-profile failures. And some of those are shown here. Handmade Burger Co. is one example, and I'll talk more about this shortly. However, those on the right of the mid box with sufficiently differentiated offer are performing well such as L'Osteria and Franco Manca.

So, in essence, there are plenty of successful operators. F&B in our venues is performing well and with high footfall locations and operational expertise, we're well positioned to continue building the offer across our portfolios and Intu's.

The retail and F&B space has always seen a high level of rotation. The disappearance and emergence of retailers and brands is business as usual for the market, and this slide illustrates how we manage this and the positive opportunities that result. The graph shows historic levels of administrations across the

U.K. market, shown here by the gray bars. Now whilst the [rate] of administration is picking up in 2016 and '17, it's still way off the peak in 2012. And it's worth highlighting that even at the peak of those administrations, the negative impact as a percentage of total income, as shown in the blue line, was very, very low, comfortably less than 1% of NRI.

Now on the right are 3 examples of how we've positively rotated the portfolio in response to weaker performance.

Handmade Burger Co. went into administration last year weakened by competition and poor sales. However, our 6 units traded well, and we were able to successfully reassign all 6 leases and assign higher rents on these units. Brent Cross. We took that Jaeger units and replaced them with All Saints, which allowed JD Sports and Ernest Jones to upsize in its place, delivering improved NRI and enhancing the retail mix.

In Leicester, we took back House of Fraser at Highcross and put in upsized Zara and JD Sports, reconfiguring the street facing facade into restaurant space you see in the bottom picture. The exercise cost GBP 17 million and the total new rent will deliver 6.5% yield on cost.

So now look at our key development projects in the U.K. At Brent Cross, we've made good progress delivering important milestones in H2. London Borough of Barnet granted planning consent in October, which was followed by CPO confirmation from the Secretary of State in December. Leasing is progressing, including agreements reached with Marks & Spencer's and John Lewis. We're appointing contractors, Laing O'Rourke, to work with us in developing the retail design. We've undertaken minor early works and are working towards appointment of a main infrastructure contractor targeting a commencement in the second half of the year.

In Croydon, we continue to make progress with our JV partners, Westfield. And having secured an important planning consent milestone with the London Borough of Croydon in November, giving consent for our revised scheme, which includes a new M&S store. Site assembly to secure the remaining land interest could complete this year. So we can consider this development from 2019 subject to pre-letting, detail design and construction pricing progress.

Now turning to our retail parks. As Timon referred to, valuations for the parks have slipped and ERV growth has been muted. But notwithstanding the underlying NRI, like-for-like NRI growth is encouraging with an increase of 2.4%. Good leasing activity in 2017 was principally delivered through our 4 developments, which were on track to generate an income return of around 8% on the GBP 105 million being invested.

We're seeing good demand from homewares operators, Rugby and Kirkcaldy, a value line up at Swansea and a convenience let-off at Didcot, where we now have 60% pre-let with the remaining units to be leased post completion. We're adopting a very active capital recycling model across the retail parks. We've sold 3 assets in the past 12 months. And you can see from the numbers, our team are very good at sourcing and delivering income generative developments. So alongside disposals, we are targeting new opportunities, and I'm pleased to report that we have recently secured the position to develop a new carbon-zero 90,000-square-foot furniture and homewares retail park just outside Exeter.

Now over to Ireland. And the backdrop continues to be robust. Consumer confidence has continued to increase and is now at the highest level in recent years. We've delivered another year of strong operational performance and delivering on our 4% to 5% ERV growth target per annum at Dundrum.

Now when we entered Ireland, we set out several immediate actions that we could take to drive growth, including rent reviews, introducing new European tenants. And these have been successfully delivered. Now we're seeing the medium term asset management initiatives bear fruit. At Dundrum, we've exchanged contracts to introduce Fallon & Byrne, a contemporary 10,000-square-foot food hall and dining concept that will further enhance the offer at our flagship Dublin venue. At Pavilions, we've taken forward plans for a new food court to adjoin the cinema, cementing the center's already strong position in its affluent catchment.

Looking at the longer term, we're progressing with the master plan for Dundrum Phase 2. And in addition, at Dublin Central, we were delighted with the recent supportive ruling by the Court of Appeal allowing us to progress our development plans at this unique city center location.

And with that, I will hand over to Jean-Philippe to talk to you through the French portfolio.

Jean-Philippe Mouton
Managing Director of France

Thank you, Mark, and good morning.

So turning now to our French portfolio. I think it's evident that the economic backdrop is improving. President Macron has put the economy at the forefront of his agenda. And as a result, business confidence is at a 10-year high. Company administration are the lowest in 10 years and unemployment is at a 9-year low.

So turning to the detail of this slide. The graph on the top left demonstrate that this favorable context is translating into a growing consumer confidence, which has reached, again, a 10-year record since the global financial crisis. In addition, we are also seeing on the top -- on the bottom-left graph, the fact that indexation is returning to positive territory. And as in the U.K., the volume of leasing across our portfolio has reached a historical high of 9% versus last year. Rents signed, 5% ahead of ERVs and ERV growth, shy of 1%. Our portfolio sales built momentum through the year as the more savings-oriented customers returned to savings, so that we finished the year slightly positive and outperforming the national benchmark.

Now we continue to refine our portfolio in line with the group's strategy to focus on the higher growth assets. So after the disposal of Villebon and Angers in 2016, we sold 2 assets in 2017, Place des Halles, Strasbourg and Nancy, Saint Sébastien in Nancy for a total consideration of GBP 295 million. As a result, our 3 main assets, Italie Deux, Les 3 Fontaines and Terasses du Port, now account for 86% of our total portfolio. And as shown on this slide, they outperformed the wider portfolio, reporting a 2.9% like-for-like NRI growth and ERV growth of 1.6%. And we continue obviously to invest to enhance these assets further. Les Terrasses du Port continues to report very solid turnover performance with sales up 9% versus 2016. And we also improved the lineup -- the tenant lineup by adding brands, such as Coach and Nespresso. At Italie Deux, we are transforming the scheme into a cultural and retail venue. In 2017, we added a 900-seat theater, which is now the largest on the Paris left bank. We are also progressing the extension opportunity which I'll comment later. And finally at Les 3 Fontaine in Cergy, we have acquired the connecting and adjacent center, Cergy 3, last year, unlocking the development potential at the scheme.

So in the Les Cergy 3 Fontaines. Over the last 5 years, we have strategically increased our ownership well above 50% to be in a position eventually to build an extension. And I'm pleased to report that we have made very good progress ahead of starting on site. We appointed a contractor, and we are showing very encouraging levels of pre-leasing to either fashion brands or F&B names, which are actively expanding into the French shopping center markets, brands such as Pret A Manger or Vapiano. Early works having already begun, the main construction will commence in March. The extension will generate GBP 16 million rental income, which is equivalent to a yield in the cost of 7%.

And then in Italie Deux. We received planning consent for a 6,500 extension, adding further retail and leisure activities and works will commence this spring.

With that, I'll hand back to David to wrap up.

David John Atkins
CEO & Director

Thank you, Jean-Philippe.

So as I said at the beginning, a lot to digest. But hopefully, all valuable insight and also a further understanding of the opportunity in our acquisition of Intu. You saw from my earlier slide, we will have increased Intu exposure to higher-growth destination shopping centers, that is more of those 8s, 9s and 10s. And I hope you saw from Mark and Jean-Philippe's presentation, the intensity of our asset management approach. And we are excited to apply this best practice operating skill across the enlarged portfolio. We have a clear rationalization program. We're confident of achieving our GBP 2 billion worth of disposals over the short to medium term to reinvest into higher-growth opportunities, such as the new outlet stake acquisition we announced this morning. Timon who has shown you that the opportunities for operational efficiencies and refinancing benefits are certainly achievable. And having spent more time with the Intu team and seen the continued good operational performance of the assets in their full year results last week, as I said, I'm even more excited about the future and the value this acquisition will create, what we can deliver for our retailers and shoppers.

So how are we getting on with the process? Firstly, it's important to stress that the results presented to you today have demonstrated our team's ability to deliver a strong operating performance, which we are committed to doing during 2018.

Now progress on the Intu transaction itself. Both businesses have published their financial results, and we're in a position now to seek shareholder support. We anticipate publishing our shareholder documentation in the coming weeks with the EGM scheduled for April. Since the announcement, we have met with close to 70% of our shareholders, and I'm pleased to report the meetings have been positive. We're also now fully engaged with the CMA, following -- and following our experience on Grand Central in Birmingham, we have provided them with initial analysis ahead of the formal submission to assist with a swifter process. Our detail planning for the merging of the 2 businesses is also well underway. We've set up an Integration Committee and appointed Sophie Ross as Integration Director to lead the process. Sophie originally joined the business as Head of Multichannel and has held senior strategy positions at major retailers in the U.K. and in the U.S. The positive response to the acquisition from employees, retailers and shareholders reaffirms that the forthcoming transformation of the business will secure our future growth and provide huge opportunity for us.

So to conclude, our business continues to perform at a time of ongoing structural change in retail. There is high demand for our premium retail real estate as our venues become more desirable to shoppers and valuable to retailers. Our expertise in managing outstanding destinations to stimulate further growth is more significant ever today. And the Intu transaction only enhances the long-term quality of our operating platform as we look to set a new benchmark for outstanding European retail destinations.
Thank you. And now over to you for your questions.

Question and Answer

David John Atkins
CEO & Director

There are some roving mics, as usual. Chris up front.

Christopher Richard Fremantle
Morgan Stanley, Research Division

Chris Fremantle from Morgan Stanley. Just a couple of housekeeping questions. The acquisition that you've made of outlets today, can we assume that, that acquisition was done at book value or broadly around the NOI yield that was shown on Timon's slide? And secondly, I think you had talked about branded venues in the presentation. And I think when you announced the acquisition, you talked a little about your intentions for branding shopping centers a little bit along the lines of Intu. Can you just clarify whether your thinking has moved on that at all since you made the announcement?

David John Atkins
CEO & Director

What if I start with the second question then hand over to Timon. So we absolutely stand by our statement that we want to use the Intu brand within the shopping center portfolio. We're doing a lot of work on that. Exactly how, that would manifest itself, but that is still absolutely our intent. Timon, on the outlets acquisition?

Nicholas Timothy Drakesmith
Director

So Chris, as you know, we have a great privileged position with Value Retail, having been our partners for over 20 years. So we know some of the existing investors very well. We were able to do a deal with them after about 18 months of negotiation. We acquired the interest at a modest discount at December 2017 book value. And that's appropriate given the preemption rights we have in the structure. So we're very happy about our entry price, particularly given our strong expectations of performance of those big villages in 2018 and beyond.

David John Atkins
CEO & Director

Next question? Marc, do you want to -- you got the mic, I think. Go for it.

Marc Louis Baptiste Mozzi
Societe Generale Cross Asset Research

Marc Mozzi from SocGen. I'm fully supportive to your statement that multichannel doesn't mean all channels. The key question behind this statement, in my understanding, is how much of your portfolio is not all those channels or a proportion of that. And what sort of pricing we should apply on this non-core part of your portfolio? Because from what we're hearing from the U.S., yield can be dramatically high between 7% and 15%. I would like to clearly understand how things could involve in the U.K. or in Europe, generally speaking. And in that context, telling us what sort of pricing we could expect from the GBP 2 billion of assets you've been selling, knowing that I would like to have what has been a discount to your book value for the 2017 disposals you've made because you're stating 2% over the past 3 years but, I guess, precisely for '17, it's a little bit more than that.

David John Atkins
CEO & Director

Yes. So let's be clear. We've got a very prime portfolio. And as I've illustrated as well on the slide, we also are acquiring a very prime portfolio. So we have a portfolio of 8, 9s and 10s. There are a very small proportion in lower numbers, around 5% of the portfolio. However, we're going further than that in saying, we want to dispose of around 10% of the combined portfolio. So arguably, we're being more disciplined and we're trying almost to get ahead of the curve, if you like, in terms of the way that these centers will evolve. So as I said before, there is no tail. This is not a disposal of secondary assets by any stretch of the imagination, Marc. We are selling what the market will see as good prime assets on the whole. So we think there is demand. You might imagine, we're already having conversations. And we're confident of selling that GBP 2 billion around book value. In terms of the 2017 numbers...

Jean-Philippe Mouton
Managing Director of France

That's about 3% discount to book value we sold the 2017 tranche.

David Brockton
Liberum Capital Limited, Research Division

It's David Brockton from Liberum. I've got a few, please. Firstly, on the cost ratio difference between Intu and Hammerson. I'm just wondering if you could touch on whether there's any structural differences in the way in which Intu manage its businesses compared to Hammerson. And is the sort of the Intu cost ratio are sort of the long-term aspirational target for the enlarged group? Or could it go lower? That's the first.

David John Atkins
CEO & Director

So if you look at the numbers, and there is a difference between the 2, remember, we have arguably a more complex business because we are invested in more sectors across more countries. So that does lead to a marginal increase in costs. I would say, in principle, the Intu business has a more in-sourced approach to, particularly, property management, FM, security and the like in its shopping centers. And that does lead to some cost savings. Effectively, you're not paying a third-party supplier a margin to provide so services. We're looking very closely at that model and that may well give rise to some further cost savings within the combined business.

David Brockton
Liberum Capital Limited, Research Division

Just -- that's excluded from the GBP 25 million guidance that you've issued? Or is that within that?

David John Atkins
CEO & Director

It's excluded.

Nicholas Timothy Drakesmith
Director

Can I just add something? It's clearly our goal to reduce the cost income ratio below Intu's. And I think there's a good chance we get there in the next couple of years.

David Brockton
Liberum Capital Limited, Research Division

Okay. The second question's related to France and the ERV movement there. Clearly, the 3 largest centers drove the positive ERV movement through the period. On the assets that are outside those 3 largest ones, do you think the decline in ERV is still a cyclical factor? Or is there still more work to be done there in respect of capital recycling?

Jean-Philippe Mouton
Managing Director of France

So it's partly late. It's very consumptual. As you know, we have developed a center in [Bove], which is much slower than we thought to reach its maturity level. And we had to recognize a drop in ERVs, which basically drops the average down to the rest of the portfolio.

Hemant Kumar Kotak
Green Street Advisors, LLC, Research Division

Hemant Kotak from Green Street. I noticed that the occupancy cost ratio increased quite substantially. And I think you referenced the falling sales and obviously the impact of business rates in there. I think you also noted the impact for the fact that it doesn't include online sales, so I think that's an aspect as well. What do you think is a sustainable level for the occupancy cost ratios for the U.K. because I think it rose from 20.1% to 21.7%? So again, a pretty substantial increase.

David John Atkins
CEO & Director

Yes. Hemant, I think -- to be frank, I think we need a new KPI to measure the true productivity of physical retail units. And actually, we continue to have further discussions with our retailers because this is actually not helping them either to suggest that their physical unit is not as productive as they know it is. And this is the halo effect of -- that physical retail provides in terms of pushing further sales online, providing click-and-collect services, returns and so on. So as I have said before, we think that the sales figures are understated by 15% to 20%. We've even had conversations with a very large well-known retailer in our portfolio recently that they openly suggested it was 40% understated. So it is not, in our eyes, the number to focus on. And I think that the evidence is the level of leasing in our portfolio. A record level of leasing suggests that there is much higher productivity and value coming from our physical units than that OCR figure suggests.

Hemant Kumar Kotak
Green Street Advisors, LLC, Research Division

Sure. I mean, that -- they're great points. Just a follow-on question, I guess. To what extent does this apply to retailers? So obviously, there are bigger retailers with an online presence, but there are smaller standard shops without a significant online presence. So can you help us understand what percentage applies to your comments?

David John Atkins
CEO & Director

Well, I think you probably need to then look at the almost mix of our retail space. So we've given some numbers today about how we're reducing our leasing to, what I would call, high-street fashion brands. Those are the retailers with significant online presence. But I think it's not all about online. I think that there are plenty of emerging retailers, and Mark gave the details about -- retailers like Ted Baker, Anthropologie and the like who, frankly, inspire shoppers in other ways and provide a service and personal service, which the shoppers themselves are reacting to. So I think, as ever, it is a blend across the portfolio. But I'm, as I say, overall happy that the -- even the relatively high OCRs for those high-street fashion brands, frankly, don't really provide evidence of the real value of those units.

Hemant Kumar Kotak
Green Street Advisors, LLC, Research Division

Okay. And then just one more question, please. So very good results in the context of what is a difficult trading environment, especially for your retailers. To what extent do you think that if things were to change and we get some order of magnitude fall out that we saw, let's say, in the last downturn, even half of that. How does that change your plans in terms of your development activity, your planned disposals? How does that -- what's Plan B, I guess?

David John Atkins
CEO & Director

Let's just -- Mark, do you want to just reflect on some of those points about the administrations and resilience of our business? Because I think it's worth just dwelling on that, before I answer that question?

Mark Richard Bourgeois
Managing Director UK & Ireland

Yes. I'm just going back to the slide and then highlight -- rehighlighting the point that and even in '11, '12, the peak of the administrations, the impact on NRI across the business was less than 1%. So yes. I mean, there's some pressure on certain retailers right now and there are some well-publicized retailers in the headlines. But we feel very able to deal with that. I mean, let me give you an example. So New Look are being a good example in the press this weekend. So we have 9 stores with New Look in our shopping centers, 2 in our retail parks. We know that they trade largely well with us across the portfolio. And they actually sit just outside our top 10 retail mix. And as and when the discussions, if they do take place, with New Look, we're pretty confident we're working through something that's a good favorable outcome for us. So I don't think this changes our operational plans. It just gives us a great opportunity to rotate retailers towards those more acquisitive names that we talked about earlier.

David John Atkins
CEO & Director

And then coming to the second part of your question, Hemant. I think it's worth reinforcing the point about our confidence about the disposals. Now again, we've moved forward and it's easy to forget. When we acquired the Irish portfolio, we stated very clearly, we would sell GBP 1 billion worth of real estate to fund that acquisition. Not long after that, we had the result of the Brexit referendum, which everyone said the markets would close and values would fall. And we sold over GBP 1 billion, GBP 1.2 billion around book value, just marginally below over that time. Also, as points of the -- we've sold nearly GBP 100 million in the first 6 weeks of the year. We've put a very clear target of GBP 500 million for our business this year. We put forward that target with confidence. Frankly, having announced GBP 2 billion of disposals, as you might imagine, some investors have approached us. So we may well have conversations ongoing. So we, again, reiterate that figure with confidence. Now if I'm wrong, then remember, we have only GBP 200 million worth of committed developments. So it's a tiny proportion of our business. We also are looking at starting Brent Cross later in the year, Croydon the year after, but it would be very easy to defer those in the development starts if those discussions we have ongoing with investors today come to nothing and I'm wrong. But I don't believe I will be based on the conversations we're having at the moment. Mike?

Michael James Burt
Exane BNP Paribas, Research Division

Michael Burt, Exane BNP Paribas. First question just on the U.K. occupational market. Looks like you had 2 years of record leasing in the U.K. But lease lengths in the U.K. portfolio have shortened by about a year since 2014. I mean, what's happening in terms of the underlying picture in the U.K.? Are you find that occupiers are asking for more flexibility?

David John Atkins
CEO & Director

Yes. Mike, certainly, it's a common theme, the more flexibility being requested, as you point out. I think from our perspective that equally gives us the opportunity to rotate away from those retailers who aren't performing as well towards those who are. And the -- just reiterating the lease terms that we're granting are broadly consistent in 10 months that they have been in recent years.

Michael James Burt
Exane BNP Paribas, Research Division

Great. And then the second question on U.K. valuations. I mean, you made the point in the retail parks of the portfolio, saw another markdown last year. And you were talking about larger lot sizes sort of suffering. Do you see a risk of that same trend moves into the shopping center market, given you have some very chunky lot sizes in that portfolio, and particularly the Intu portfolio as well?

David John Atkins
CEO & Director

Yes, no. I think if you look at the buyers for retail parks Mike, a lot of unit trusts from managers and that lot size that they're in for us, so the GBP 30 million to GBP 50 million, that's sort of sweet spot. We've got assets above that. You then look at the shopping center market tends to be the larger institutions, sovereign wealth funds, so life companies, some of the big global insurers, far eastern money, and we remain confident that they are there for that product. We rarely have conversations with the shopping center buyers on our retail parks. It is a quite distinct marketplace. One over here, I think, at the front.

Sander Bunck
Barclays Bank PLC, Research Division

Sander Bunck from Barclays. A question on the mid-market F&B, showing quite some dramatic numbers, basically. Can you give a bit more color here on what kind of exposure you have to the type tenants that are currently troubled? And whether amidst such large decreases in sales, whether you believe that current rents are sustainable for the medium to longer term? And basically, what are you doing here to mitigate risk?

David John Atkins
CEO & Director

Okay. I'll take that one. So in terms of those current retailers who are in leases being under -- or occupied under stress. So let's use -- Jamie's Italian is a good example. We have 3 units. And in our CVA [barring] another one, we have 3 units in our CVA. We've managed through that process and the outcome is pretty good pointing to the conclusion that, again, largely close even struggling on a portfolio basis, occupies trade well in our centers. And I'll come back to the Handmade Burger Co. example that I used in the presentation, where we had 6 units with that particular occupier. They, on a portfolio perspective, overexpanded a lot of competition from that casual dining burger, or sort of the burger market. But within our schemes, they traded well. And we assigned all 6 of those units and actually managed to get an uptick in the rent. So I think -- so we're pretty confident about the sustainability of the levels of rent in our schemes based on the evidence that we're seeing right now.

Sander Bunck
Barclays Bank PLC, Research Division

And do you provide any additional lease incentives for new units? Or is that pretty flat for those units as well? I mean, a slight uptick about -- 1 month for the overall portfolio booked for those units. Do they see more of an increase in incentives or not really?

David John Atkins
CEO & Director

No. I mean, we're seeing some good brands coming through who are really differentiated. We talked about Mowgli in Grand Central. I know these are good concepts. They're more carefully expanding, but they want to expand in the right places. And we're not seeing those incentives, so we're not negotiating with those; not any particularly different from where we've been historically.

Sander Bunck
Barclays Bank PLC, Research Division

And one other question actually on Brent Cross. I think it was mentioned that you're looking for a kickoff in H2 '18. Is that -- is your partner ready as well? Is that all done and dusted? Or can you give some more color on that, please?

David John Atkins
CEO & Director

Well, if you recall, we've never stated publicly about the partnering because actually we're funding our element. It's our partner, who is looking to bring in some money. Peter, maybe you can just give us a bit of color there as far as we can on that?

Peter William Beaumont Cole
Consultant

Yes. So just on the steps on the project. We're working for the construction costs. We're working for leasing. So it'll come together at the end of first half. And in parallel to that, we are on discussions with investors to actually bring that package together. So we anticipate that all happening around the launch of the project.

Sander Bunck
Barclays Bank PLC, Research Division

But current discussions are kind of positive that you believe that...

Peter William Beaumont Cole
Consultant

Yes. It's a -- Brent Cross is a very high-quality catchment, really strong growth prospects. Retailers regard it as somebody must-have a brand, because it's really a key powerhouse location for them. And on that basis, we've got good interest and we're comfortable we're going to put it in place during the course of this year .

David John Atkins
CEO & Director

Clearly, we're saying we're looking to start in H2. We can't do that on our own. So that said, with the knowledge of how those discussions with our partner is going.

Peter William Beaumont Cole
Consultant

We'll keep our distant approach to the amount of risk. So you've seen, we've actually managed our retail park completions. We've managed our commitments in France, which is good. In the second half, we look closely at Brent Cross. But we need to make sure every -- all the pieces work for the business.

Sander Bunck
Barclays Bank PLC, Research Division

And the tenants that you've pre-let so far are not contingent on it starting in H2? If it starts like, say, Q1 '19 then that has no impact on the current pre-leases?

Peter William Beaumont Cole
Consultant

No. We have flexibility in our agreements to allow for change if we need to change. But also, we're working very hard to get the project on site.

David John Atkins
CEO & Director

I wonder now if we have any calls on the line. I think we had some technical problems earlier. That mean we have no link? Okay. Well, that's -- of all to it. Well, in that case, we'll have another call on -- or another question in the room.

Unknown Analyst

[James Gordon] from [Moody]. Just following the question on U.K. more asset valuation. Press reports currently suggest that there are deals under negotiation at discounts to prevailing asset values. In some cases, these involve passive stakes rather than active. But the implication from the press article is that the passive stakes themselves maybe seeing some value erosion transaction-on-transaction. If the press reports are true and these transactions are crystallized, it would seem to pose some comparable transaction evidence risk for the sector and obviously for Intu and Hammerson's valuations, and in particular, for the triple-net new charity KPI that you announced in December for the deal. Sorry, a long preamble, but the question essentially is, how will you reassure shareholders of these risks as they make their vote in Q2 looking forward to future valuations? And secondly, is there a level of triple-net NAV bandwidth that you feel you can accommodate, given of [our] actual use of the deal and that would be a way that you could encourage people about the capital discipline?

David John Atkins
CEO & Director

Yes. So you didn't say it, but I presumed you're talking about Bluewater. Let's be frank. Look, it's for others to talk about, really. Not our asset. We're not selling it. And I think there's been some commentary around it. You will also know that, that is a passive stake. The structure of Bluewater with a tiered leasehold is not for everyone's liking. And the vendor effectively is a fund-in runoff. So it's a motivated seller, should we say, to be polite. So I think there are for good reasons why the pricing might be below NAV. Having said that, our valuers also read the press. And they are very much in the market and talk to people about these sort of transactions and they have valued our portfolio perhaps with that backdrop in mind. So we remain confident about the valuation of our assets. I also refer to discussions that perhaps we're having on 1 or 2 of our own assets as well, which give us further confidence. So I don't believe at the moment that, that deal on Bluewater, if it happened, would lead to an erosion of value on our end portfolio.

Unknown Analyst

[indiscernible]

David John Atkins
CEO & Director

Please use the microphone just so people can hear you online.

Unknown Analyst

Will you give shareholders a valuation sensitivity when you publish your prospectus for the deal?

David John Atkins
CEO & Director

I think we're publishing the valuation based on the results that we have today. Any other questions? Okay. Well -- and we -- just ask again, we don't have the ability to -- no. Okay. Right. Well, we're going to finish. Just before you dash off, you know that we like to finish with a video. It's really just a -- this one is a bit of a reminder about how our role as an expert operator works and proves that our centers are more than simply bricks and mortar. So a little reminder of some of the experience beyond the pure retail that we currently offer. So if we could run the video, please.

[Presentation]

David John Atkins
CEO & Director
And I think to finish, we talked about disintermediation in the retail world, and I think this is rather a neat little cartoon that sums up the predicament for brands going forward. So I'll leave that with you. And enjoy the rest of your day. Thanks for coming along.