



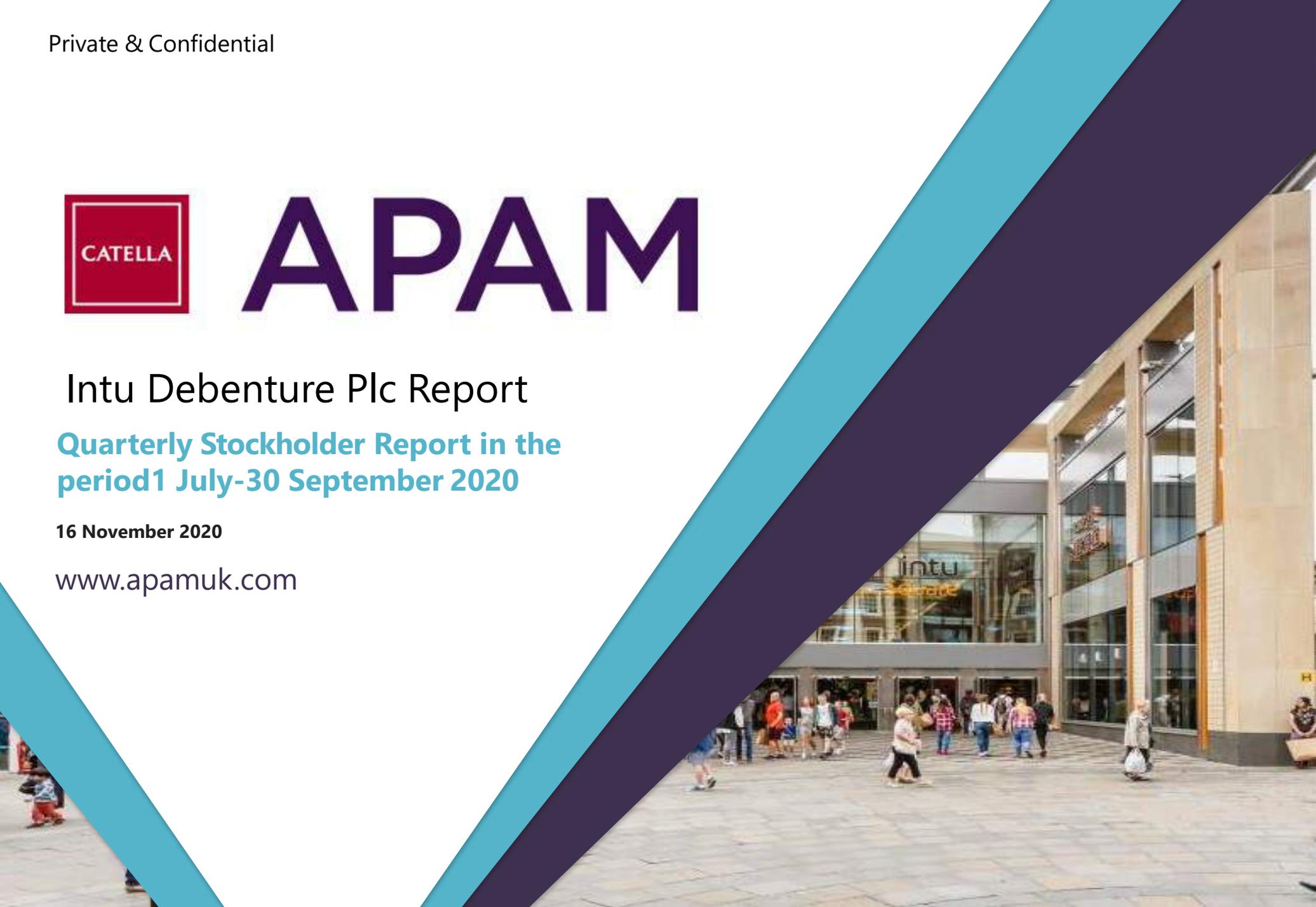
APAM

Intu Deventure Plc Report

**Quarterly Stockholder Report in the
period 1 July-30 September 2020**

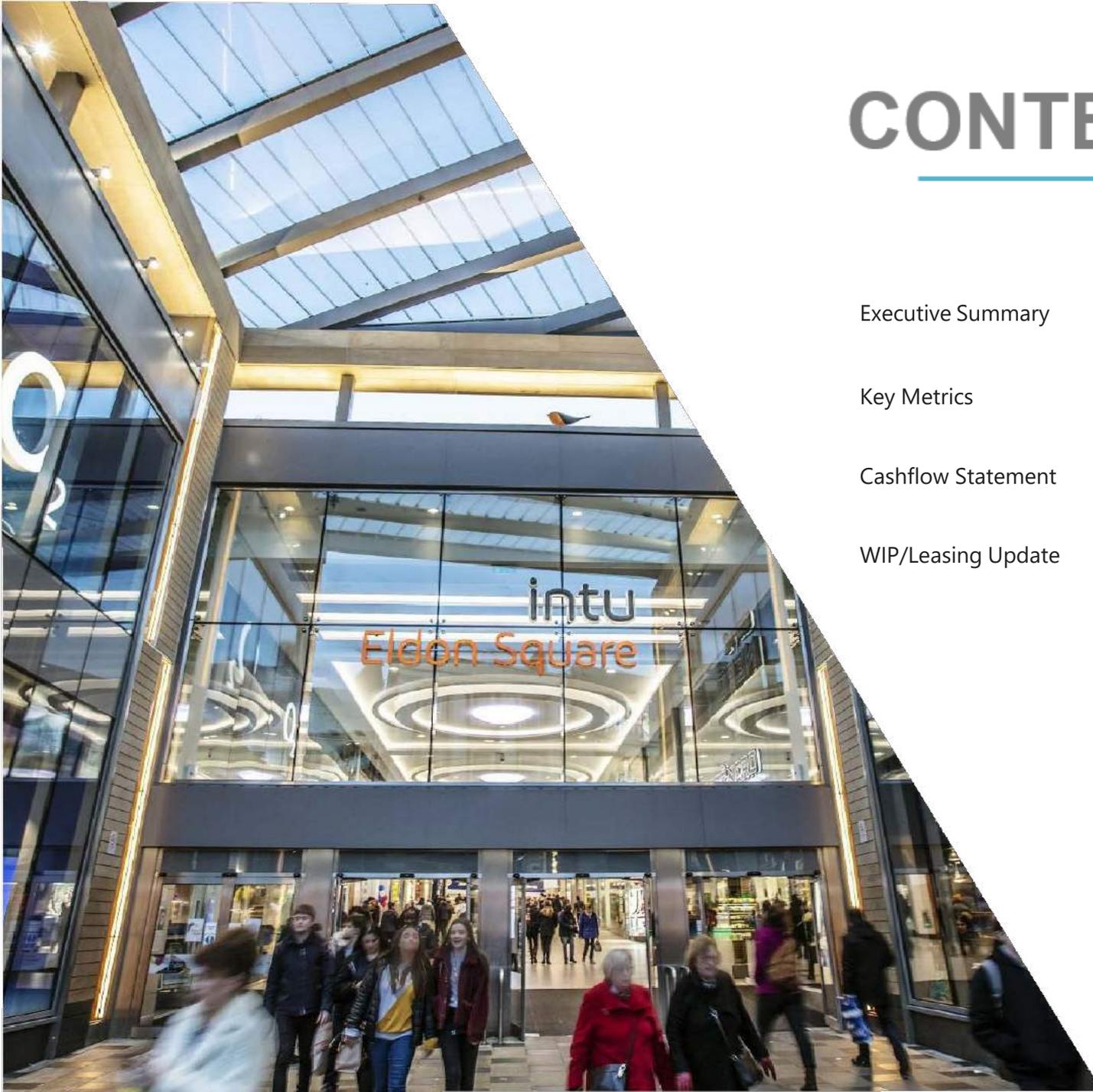
16 November 2020

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EXECUTIVE
SUMMARY

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KEY AREA	COMMENTARY
MARKET OUTLOOK	<ul style="list-style-type: none"> ❖ With the UK emerging from lockdown at the start of Q3, the retail, leisure, food and beverage occupational markets have remained quiet with few operators looking to make new acquisitions. ❖ The lockdown (and slow emergence from lockdown) has put further pressure on tenants' financial position, including those to which Debenture has a Top 10 exposure and continues to depress rent and service charge collections. ❖ The announcement of the lockdown in England in November, the limited trading of food and beverage establishments in Scotland and the continued moratorium on landlord action against defaulting tenants continues to present a challenge for short-term rent collections. ❖ APAM expects that more tenants will experience distress and the risk of future tenant administrations and CVA procedures remains high as retailers seek to preserve liquidity and reset their balance sheets, particularly in the mid market fashion and food and beverage sectors. This will continue to impact Debenture's ability to recover arrears and suppress rental income more generally.
TRANSITION OF SERVICES	<ul style="list-style-type: none"> ❖ Following the appointment of Joint Administrators to intu Properties plc, the Debenture Group entered into a Transitional Service Agreement ("TSA") with certain intu subsidiaries to ensure continuity of services to enable the centres to remain open and operational. ❖ David Duggins was appointed as an Independent Director of intu Debenture Plc with appointment to the individual Propco's to follow. ❖ The key focus in Q3 was to ensure the successful transition of the Debenture Group from intu which was completed mid-October 2020. <ul style="list-style-type: none"> • APAM appointed as Asset Manager across all 4 assets. APAM is a UK real estate specialist with £2bn assets under management with extensive shopping centre asset management expertise, financing and accounting and provision of corporate services. • MAPP appointed as Property Manager across all 4 assets. MAPP is a leading provider of shopping centre management services across the UK with a strong track record of managing similar assets. ❖ The Group has incurred significant TSA costs totalling £11.9 million with the TSA amounts paid subject to a 'true up' once all transition costs are known to the Joint Administrators of the intu Group.
OPERATIONAL UPDATE	<ul style="list-style-type: none"> ❖ Following work on the transition, the Asset Manager and Property Manager have moved focus to developing the strategy and business plan for the assets. Key initiatives include: <ul style="list-style-type: none"> • Opening dialogue with key anchor tenants to strengthen strategic relationships; • Engagement with tenants to improve rent collections and support those which remain challenged due to the current trading restrictions with a view to improving collections and managing arrears; • Progress near term lease events and WIP; • Assessment of immediate cost reduction capex requirements to protect and enhance asset value. ❖ As a result of the 2nd English Lockdown, Eldon Square and the Potteries remain open with 42 stores and 17 stores respectively, providing either click and collect, takeaway, essential business or e-commerce. ❖ Soar is in level 3 of the Scottish Government's 5 tier system. Restaurants can stay open until 6pm, the Ski slope remains open as sports use, but leisure operators including the cinema have had to close

KEY AREA	COMMENTARY
FINANCE AND LIQUIDITY UPDATE	<ul style="list-style-type: none"> ❖ The Debenture Group's Stockholders ('the Stockholders') approved the release of £12.3 million of additional liquidity to support the Debenture Group on 23 July 2020. ❖ The Debenture Group's cash position at the end of September 2020 (detailed on page 11) was ahead of the forecast that supported the initial funding request. However, this was primarily due to timing differences in respect of the ongoing TSA costs, other costs of transition and professional fees, and by slightly higher than envisaged rent collections. At the end of September the Debenture Group had drawn £6.0 million of the £12.3 million funding made available by the Stockholders. ❖ Those timing differences have unwound during Q4, with the Debenture Group having now also drawn the remaining £6.3 million of the initial £12.3 million after the rescheduling of the release date through an Stockholder Extraordinary Resolution on 30 September 2020. ❖ The liquidity position remains under tight review given the enforced close down of non-essential retailers in England until 2 December 2020 and the restrictions currently in place in Scotland. A strong focus on rent and service charge collection remains, with collection for Q3 being 35% and 51% respectively. ❖ To assist with managing the short term liquidity in the ongoing distressed environment and ensure that it retains the necessary focus going forward the Debenture Group has engaged a short-term cash manager to build a standalone weekly cash flow process and help manage liquidity. ❖ Despite now being stabilised, given the current uncertain trading environment, the Debenture Group continues to seek to preserve sufficient liquidity to fund the ongoing operations and manage any future cashflow risk. This means that the interest and amortisation payment due in June 2020 remains unpaid and the interest coupon and amortisation due in December 2020 will not be paid. The Stockholders rights remain reserved in respect of the June payment default.
NEXT STEPS	<ul style="list-style-type: none"> ❖ As noted, the Debenture Group are currently in the process of preparing the strategy and business plan for the assets, with a view to providing the following information: <ul style="list-style-type: none"> ❖ Any short to medium term additional liquidity need to fund the assets and keep them operational; ❖ Future debt service capacity of the Debenture Group; and ❖ The overall outlook and strategy for the assets in light of the current and future market environment. ❖ That analysis is likely to be ongoing through to the end of Q4 2020, with a view to being in a position to update all of the Stockholders again in January 2021. ❖ In light of the distressed liquidity position and material reduction in value, dialogue is also being maintained with intu Properties Plc (In Administration) and it's Administrators in relation to the shareholders position in relation to the assets. Further information in relation to the stockholder position will be provided in due course. ❖ All updates will be advised via RNS and reports will be available on the Debenture Group website https://debentureplc.com/.



KEY METRICS

	Bridlesmith Gate	Soar	Potteries	Eldon Square	Total Portfolio
Units	6	47	150	191	394
Area (sq ft)	14,765	344,702	601,640	1,283,633	2,244,740
Occupied Area (sq ft)	7,441	317,405	534,915	1,184,420	2,044,181
Vacant Area (sq ft)	7,324	27,297	66,725	99,213	200,559
Occupied Area	50%	92%	89%	92%	91%
Rent (£ pa)	313,750	3,541,821	7,420,473	18,947,212	30,223,256
WAULT	2.40	7.61	4.43	5.24	5.29

Q3 2020 Rent Collection				
Asset	Demanded (£)	Collected (£)	% Collected	Outstanding (£)
Total	5,828,129	2,033,685	34.89%	3,794,445

Q3 2020 SC Collection				
Asset	Demanded (£)	Collected (£)	% Collected	Outstanding (£)
Total	3,008,284	1,521,315	50.57%	1,486,970

	Tenant	Number of Leases	UXT Term (years)	% of Portfolio (Passing Rent)
1	Next Holdings Limited	3	13	6.01%
2	Boots UK Limited	2	21	5.20%
3	Odeon Cinemas Limited	1	12	3.50%
4	Primark Stores Limited	4	1	3.32%
5	John Lewis Properties Plc	3	9	2.22%
6	River Island Clothing Co Ltd	2	5	1.93%
7	Sunrise Records and Entertainment Ltd	3	1	1.72%
8	Arcadia	6	8	1.71%
9	Argos Limited	1	2	1.50%
10	C & J Clark International Ltd	2	1	1.49%

For top 10 tenants above rent collection and service charge collection was 39% and 58% respectively in Q3.



CASHFLOW
STATEMENT

**Summary of net cash flow for 3 months to 27 September 2020 (Q3-20) compared to the TSA
Forecast published in the Supplemental Trust Deed dated 30 July 2020**

£M	Notes	TSA Forecast	Actual	Variance
Rent Receipts		2.9	4.1	1.2
Landlord void costs (inc. vacant rates, void service charge and insurance etc.)	1	(2.2)	(0.1)	2.1
Net cash NRI		0.7	4.0	3.3
Net S/C cash flows	2	(4.7)	(2.4)	2.3
Capital Expenditure		(0.5)	(0.4)	0.1
TSA - Settlement of intra-group payable		(1.8)	(1.8)	(0.0)
TSA - Migration and wind down costs	3	-	(0.6)	(0.6)
TSA - Recharge of Plc and administration costs	3	(1.1)	(1.0)	0.1
Professional fees		(3.2)	(1.9)	1.2
Other (inc net VAT receivable/(payable))		(0.7)	(0.3)	0.5
Cash flow before financing		(11.1)	(4.4)	6.8
Escrow Amounts Drawn Down in Period	4	12.3	6.0	(6.3)
Net cash flow in period		1.3	1.6	
<i>Opening cash</i>	5	0.3	2.7	2.4
<i>Closing cash</i>	5	1.6	4.4	2.9
<i>Peak funding requirement (before Escrow Proceeds)</i>		(12.3)	(3.1)	
<i>Peak funding requirement (week ending)</i>		06-Sept-20	13-Sep-20	

Source: Debenture Group weekly cash flow

1. Timing variance due to delayed invoicing and payment of suppliers. This is forecast to unwind in Q4-20.
2. Includes £3.5 million of TSA service charge payments payable to intu RS Services under the terms of the TSA of which £2.2 million represents 2 months advance payment required which is subject to a true up process once costs are finalised following the expiry of the TSA Agreement as at 31 December.
3. Adverse variance driven by inclusion of actual costs from KPMG Administrators' and inclusion of additional migration and wind down costs not included in the Financing Case. Analysis of TSA cash flows included in the following.
4. Timing variation, £12.3 million has now been fully drawn.
5. Excludes tenant deposit amounts held as restricted cash.

NET DEBT SUMMARY

Net debt as at 27 September 2020	£M
Principal outstanding as 30 June 2020	295.2
Accrued unpaid coupon for 30 June 2020	8.2
Escrow Loan	6.0
Total amounts due to Stockholders as at 27 September 2020	316.2
Cash at Bank	(4.4)
Net debt as at 27 September 2020	311.8
LTV %	131%

Note: LTV is based on the 30 June 2020 valuation of £238.6 million as detailed in the table below

ASSET VALUATIONS

Asset valuation as December 2019 and June 2020	Dec-19 (£M)	Jun-20 (£M)
Eldon Square	214.1	153.2
Potteries	67.2	52.3
Soar at Braehead	40.5	30.0
Bridlesmith Gate	4.0	3.2
Total asset valuation	325.7	238.6

Source: Independent asset valuations



WIP/LEASING
UPDATE

Eldon	#	Rent PA (£)
Assignment	1	40,000
New Letting	3	211,000
Regear	-	-
Renewal	10	872,000
Total	14	1,123,000

Potteries	#	Rent PA (£)
Assignment	-	-
New Letting	1	4,500
Regear	3	534,000
Renewal	5	545,000
Total	9	1,083,500

Soar	#	Rent PA (£)
Assignment	1	300,000
New Letting	1	77,500
Regear	2	203,000
Renewal	-	-
Total	4	580,500

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