

CLS Holdings plc ("CLS", the "Company" or the "Group") Trading Update for the financial year ended 31 December 2024

Fredrik Widlund, Chief Executive of CLS, commented:

"In 2024, CLS made meaningful progress with its strategic goals of letting recent refurbishments and executing its refinancing and sales programme. With good progress on the redevelopment opportunities in the portfolio, property values bottoming in the second half of 2024, and positive leasing activity since the start of the year, we are confident of delivering improved shareholder value over the near term."

A summary of our key operational and financial metrics is set out below:

2024 Financial performance and valuation

We expect CLS' 2024 EPRA earnings and Net Tangible Assets ("NTA") to be in line with market expectations^[1] when we publish our 2024 full year accounts at the end of March 2025.

Full-year property valuations, as set out in the table below, were down by 5.8% in local currency. Including the strengthening of Sterling in the year, valuations were down by 8.3%. Valuations across all our markets appear to be bottoming out with Germany and France flat in the second half of 2024, reflecting greater rental indexation and interest rate reductions supporting valuation yields. In the UK, the shortening lease to the National Crime Agency at Spring Gardens, one of the largest assets in the Group, contributed to half of the UK reduction as the site is valued as an office investment and not yet as a development site.

Movements in local currency	H1 2024 (01-01 to 30-06)	H2 2024 (01-07 to 31-12)	Full-year 2024
UK	(4.4)%	(4.1)%	(8.3)%
Germany	(3.6)%	0.0%	(3.5)%
France	(5.0)%	(0.1)%	(5.1)%
Total	(4.1)%	(1.8)%	(5.8)%

Vacancy, lettings and occupancy

For the full year 2024, CLS transaction levels have shown strong momentum with letting activity above 2023 levels and continued healthy rental growth. We signed 112 leasing deals (2023:130) securing annual rent of £16.6 million (2023: £15.5 million) at 6.8% (2023: 6.9%) above December 2023 estimated rental values.

The most significant transactions in 2024 were in Germany and the UK and included new lettings at The Yellow in Dortmund for a 20-year lease with the City of Dortmund for over 103,000 sq. ft (9,600 sqm) and the first letting at Artesian, Prescott Street, London where we completed a 10-year lease for one of the six floors with Médecins Sans Frontières for over 12,000 sq. ft (1,100 sqm). We also secured major renewals at Fangdieckstrasse in Hamburg where we signed a 10-year lease renewal for over 96,000 sq. ft (8,900 sqm) with HPH Institute and at Fetter Lane, London where we signed a 10-year lease renewal with Signature Litigation for over 29,800 sq. ft (2,770 sqm) with both leases being for the entire buildings.

Index-linked lease increases for the year were 3.7% in Germany, 5.2% in France and 2.6% at Spring Gardens in the UK. The lease renewals for 2024 were 0.1% ahead of previously contracted rent.

High occupancy levels continue in our student and hotel accommodation in Vauxhall, with the student accommodation fully let for the current academic year and the hotel achieving record revenues.

Underlying vacancy, excluding completed refurbishments and disposals, continued to fall in the second half of 2024 to 10.6% as at 31 December 2024, down from 10.8% in June 2024 and 11.0% at the end of 2023. We expect to make further letting progress in the first half of 2025 as we are seeing continued interest from government departments and mid-sized companies, sectors that fit well with CLS' portfolio of well-located and efficient properties.

Total vacancy increased to 12.7% (31 December 2023: 11.0%) as more high-quality refurbishments were completed in 2024 in the UK and France, which are now available for occupation.

EPRA vacancy rates as at 31 December 2024:

Group:	12.7% (31 December 2023: 11.0%)
UK:	18.5% (31 December 2023: 15.8%)
Germany:	6.7% (31 December 2023: 6.8%)
France:	8.3% (31 December 2023: 5.6%)

Two-thirds of our vacancy is EPC A or B (or equivalent), with almost all the remainder being EPC C, and we therefore expect vacancy to fall as we progress further lettings in the short- to medium-term.

Disposals

In 2024, CLS disposed of five properties for £66.1 million, collectively in line with book value as part of its targeted £270 million disposal programme.

The sale of our student accommodation asset at Spring Mews continues to advance with the preferred bidder, and the transaction has now entered its final stage. We are targeting an unconditional exchange in early March and the agreed price is in excess of £100 million which is in-line with the latest valuation.

CLS has also agreed the disposal of two smaller UK properties and one in Germany for a combined £29.2 million, in-line with the latest valuation. All three sales are targeted to complete in the first half of 2025 and CLS intends to complete the remaining c.£70 million of its £270 million targeted sales programme this year. In due course, CLS may also consider additional sales of assets with limited potential upside to help fund the pipeline of refurbishment and redevelopment opportunities in the portfolio whilst maintaining or reducing LTV.

As at 31 December, LTV had risen slightly since September 2024 to 50.7% given the valuation declines in the second half of 2024.

Liquid resources, financing and rent collection

As at 31 December, the Group had cash of over £60 million and £50 million of committed undrawn Revolving Credit Facilities ('RCFs') as well as a £10 million overdraft facility.

All 2024 financing activity was executed successfully with nine loans totaling £154.5 million being refinanced, financed or extended for more than one year at an average rate of 5.13%, including £137.7 million fixed at 4.05%.

We are advanced with the refinancing activity for 2025 such that of the £377.7 million expiring during the year, progress has been made with £327.2 million. £208.1 million has been, or is going, through credit approval and a further £119.1 million is subject to advanced discussions. We would expect to announce further progress with our full-year results and are confident that these loans will be refinanced before they become due.

As at 31 December 2024, CLS' average cost of debt was 3.77%, 4 basis points lower than at 30 June 2024 but, as expected, 16 basis points higher than 31 December 2023 given higher rates on refinanced loans. 83% of total debt was fixed or subject to interest rate caps.

As at 23 February 2025, we had received 99% of 2024 contractual rents due (2023: 99%).

Refurbishments and developments

The refurbishment of The Brix in Essen is progressing well and the project is on track for the first stage handover to the City of Essen in April with the second stage later in 2025. The refurbishment at The Yellow, Dortmund, connected to the new lease with the City of Dortmund, is about to commence.

At Debussy, Paris, planning permission has now been granted for the conversion to serviced apartments and the construction pre-planning, undertaken with our partners, is progressing at pace for a mid-year 2025 start. Planning permission for a comprehensive upgrade of Bismarckstrasse in Berlin has also been granted.

Good progress is also being made with the development at Citadel Place, London (currently known as Spring Gardens), with the second public consultation scheduled for 19 March 2025. We are working closely with Lambeth Council and the GLA to progress the scheme with a target date for planning submission in Q2 2025.

Sustainability

We remain on track with our energy and carbon saving targets as part of our 2030 Net Zero Carbon ("NZC") Pathway. In 2024, as part of tracking the NZC Pathway, we reduced our energy use and scope 1 & 2 GHG emissions by more than our target of 3% (like-for like). Our planning continues to remove fossil fuels from the remaining buildings in our portfolio in the coming years, with five electrification projects currently scheduled in Germany and the UK for 2025.

Governance

Bengt Mortstedt (age 76) has decided to retire from the Board with effect from 28 February 2025 to spend more time with his family and on his own hotel business in the Caribbean. We are deeply grateful to Bengt for his contribution to the company over the last 30 years as one of the founding directors of CLS. As previously announced, we are seeking to recruit two independent non-executive directors and this process is now well advanced.

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/// As published on 21 February 2025, the Company-compiled consensus expectation for full year 2024 EPRA Earnings Per Share and NTA were 9.2p and 216.5p respectively.

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