

Half Year Results 2020/21

Resilient Operating Performance

Investor & Analyst Presentation

11 November 2020



Agenda

Introduction

Graham Clemett
CEO

Financial Review

Dave Benson
CFO

Outlook

Graham Clemett
CEO

Supplementary Information



Introduction

Graham Clemett, CEO



Introduction

A challenging first half

Covid-19 lockdown

50% rent discount

Back to business

Customer activity



Resilient operating performance despite the challenging environment.

Underpinned by the enduring attractions of our flexible model.

Introduction

Financial highlights

	Sep 20	Sep 19
Net rental income	£36.5m	£60.1m
Trading profit after interest	£15.3m	£40.1m
Interim dividend per share	–	11.67p

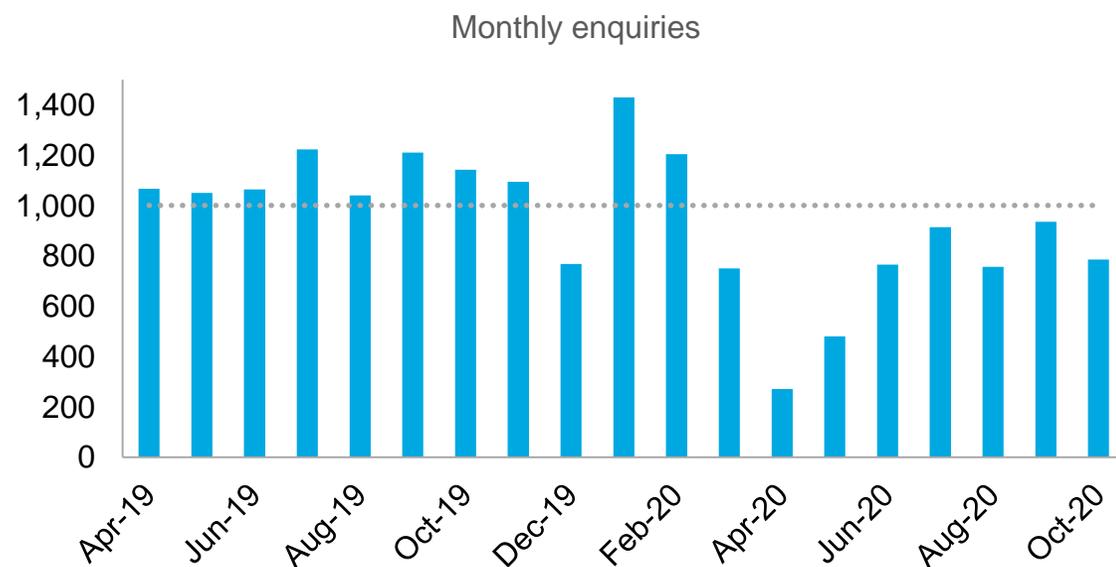
	Sep 20	Mar 20
Property valuation	£2,450m	£2,574m
EPRA NTA per share	£10.05	£10.88
Loan to value	23%	21%



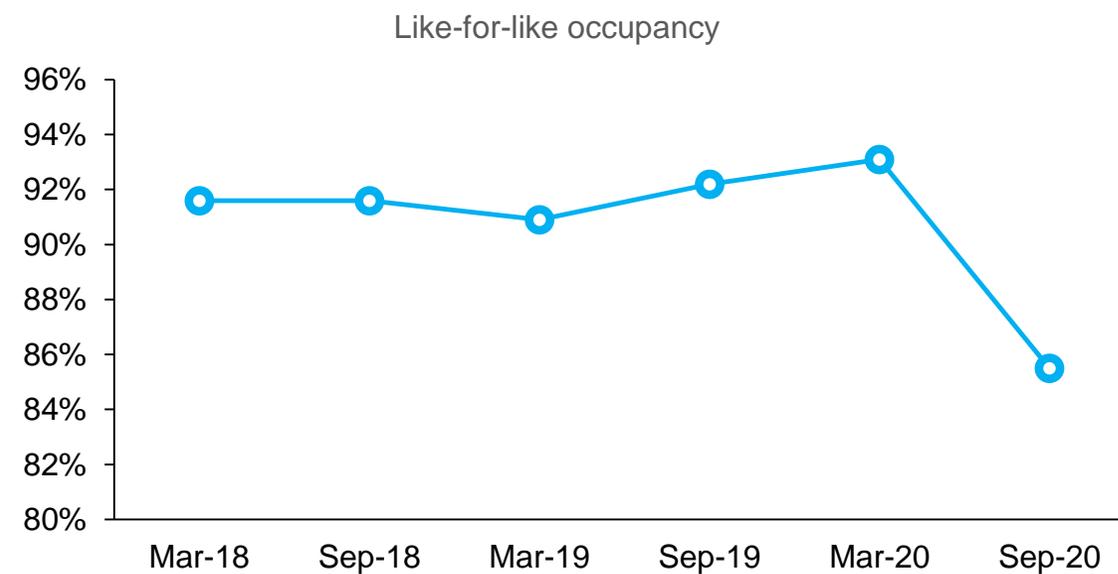
Introduction

Operating highlights

Six months ending	Sep 20	Sep 19
Enquiries per month	687	1,109
Viewings per month	289	708
Lettings per month	81	127

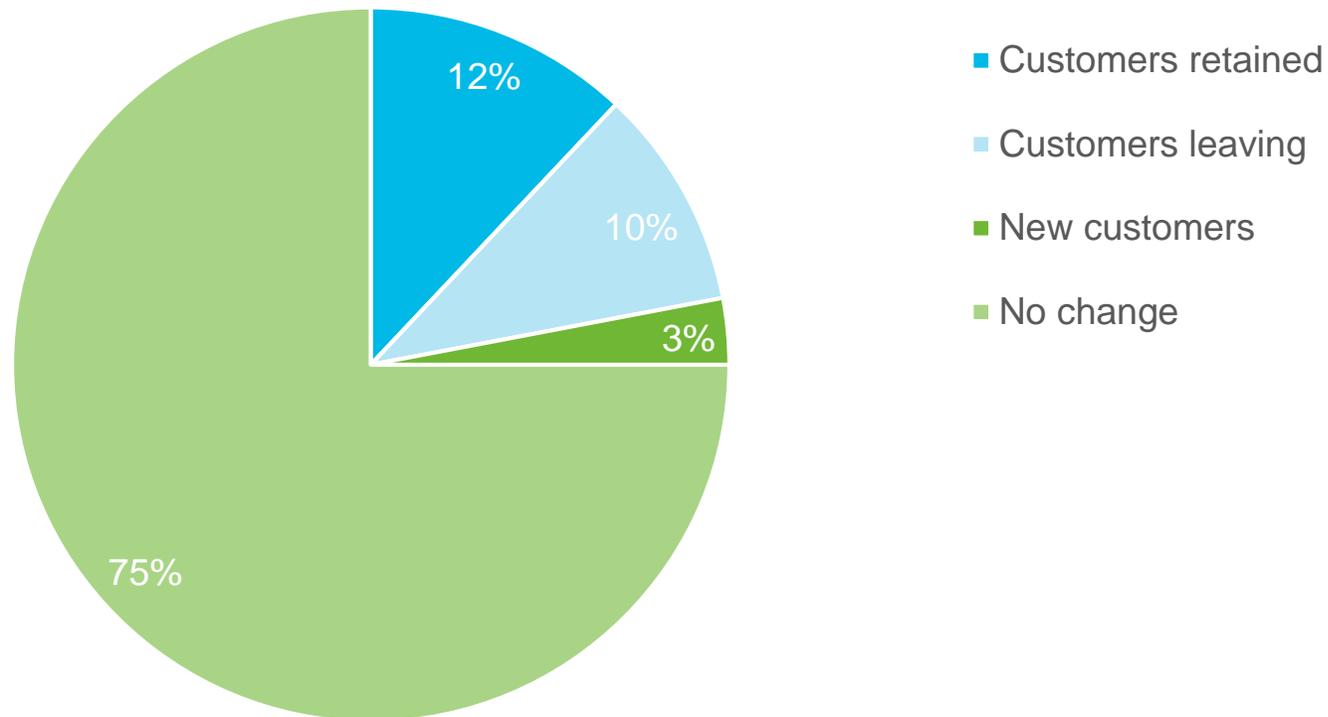


	Sep 20	Mar 20
Like-for-like occupancy	85.5%	93.3%
Like-for-like rent per sq. ft.	£40.61	£41.98
Like-for-like rent roll	£98.8m	£111.7m



Introduction

Stable customer base despite Covid-19 disruption



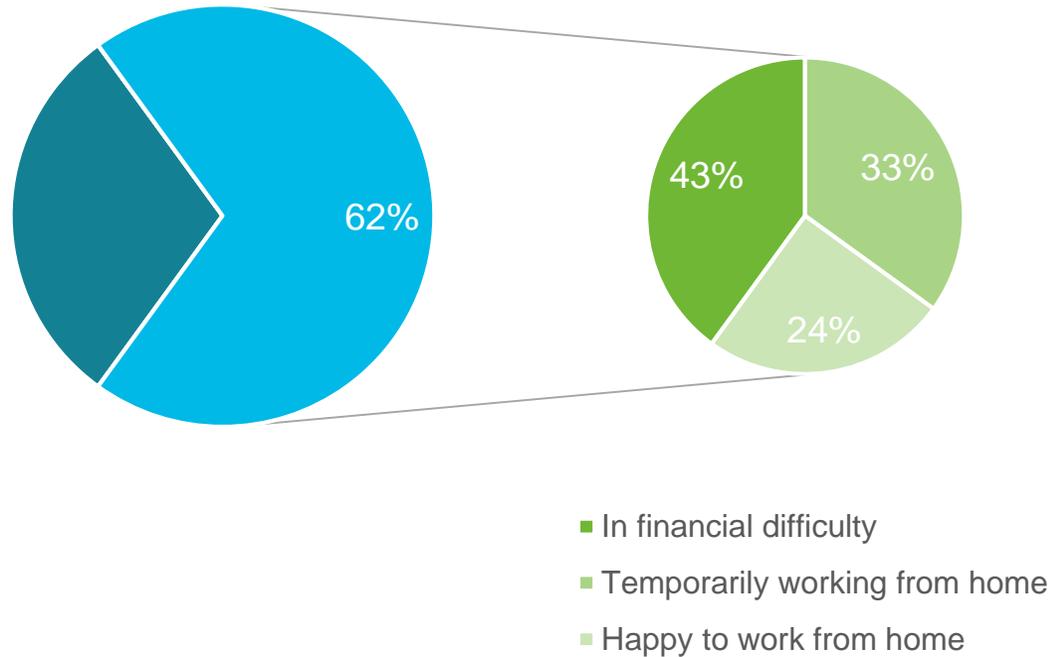
All percentages based on total rent roll

Introduction

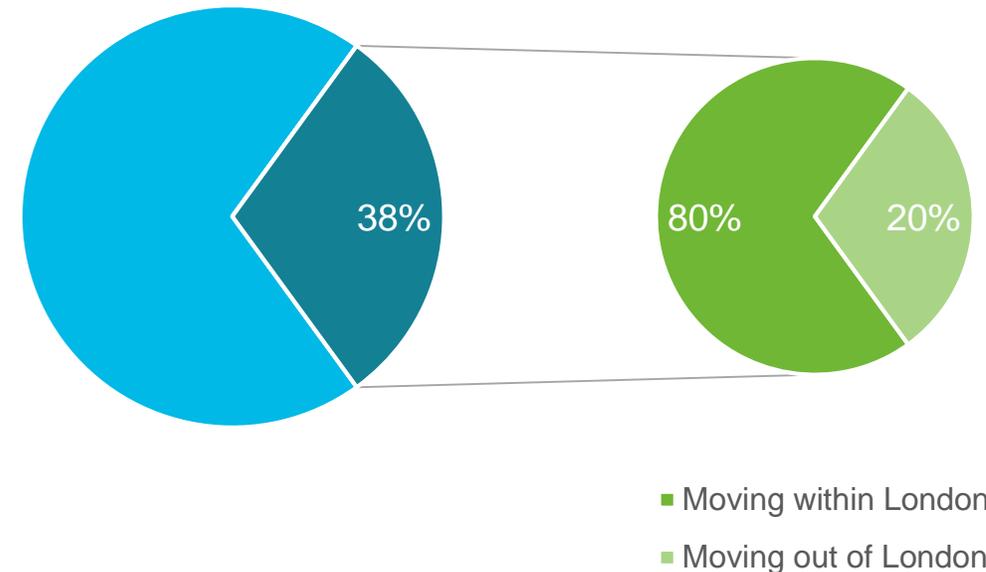
Majority of leavers not taking new office space

Customers leaving: 10% of total rent roll

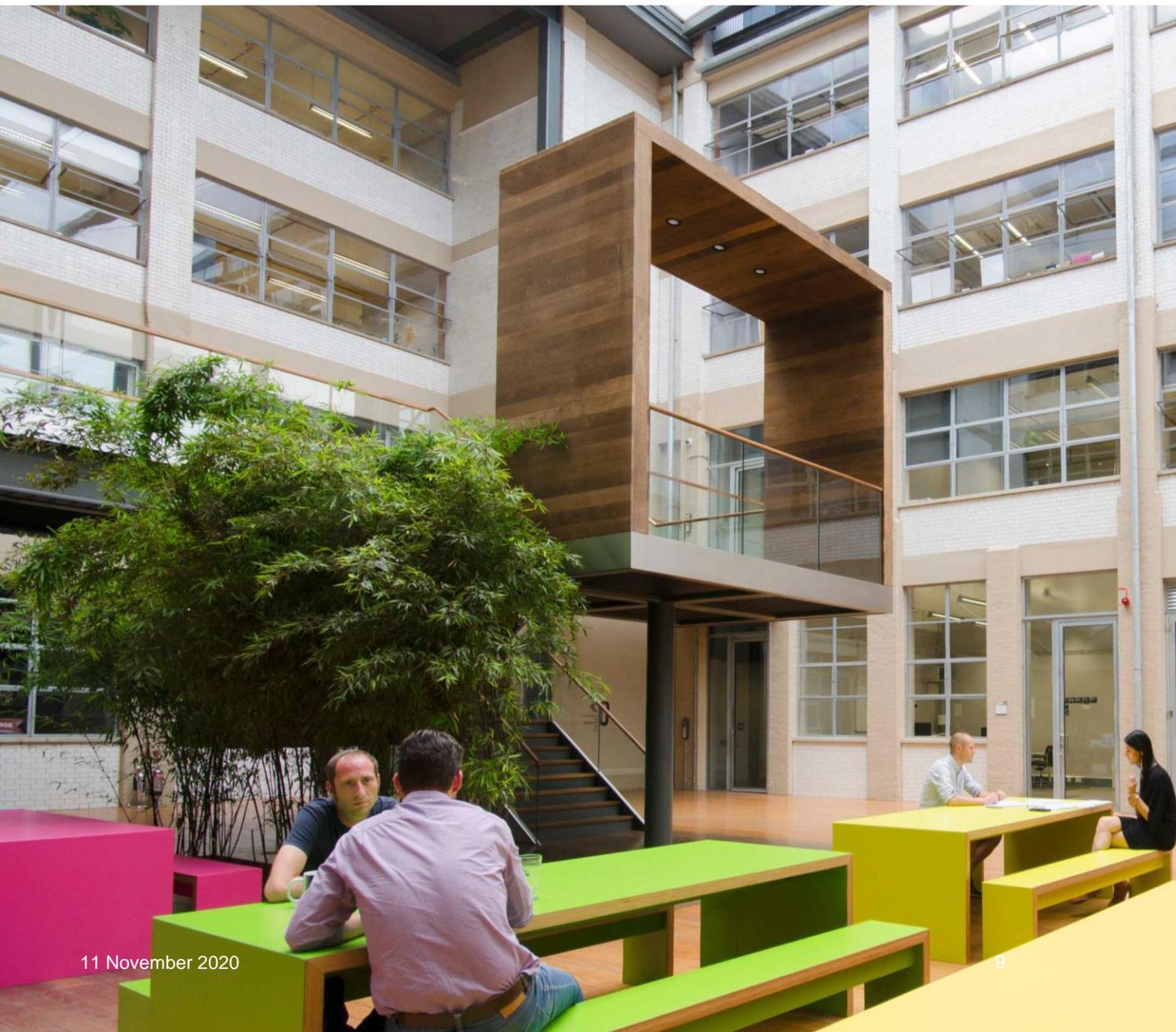
62% of leavers no longer working from an office



38% have changed office location



All percentages based on rent roll



Financial Review

Dave Benson, CFO

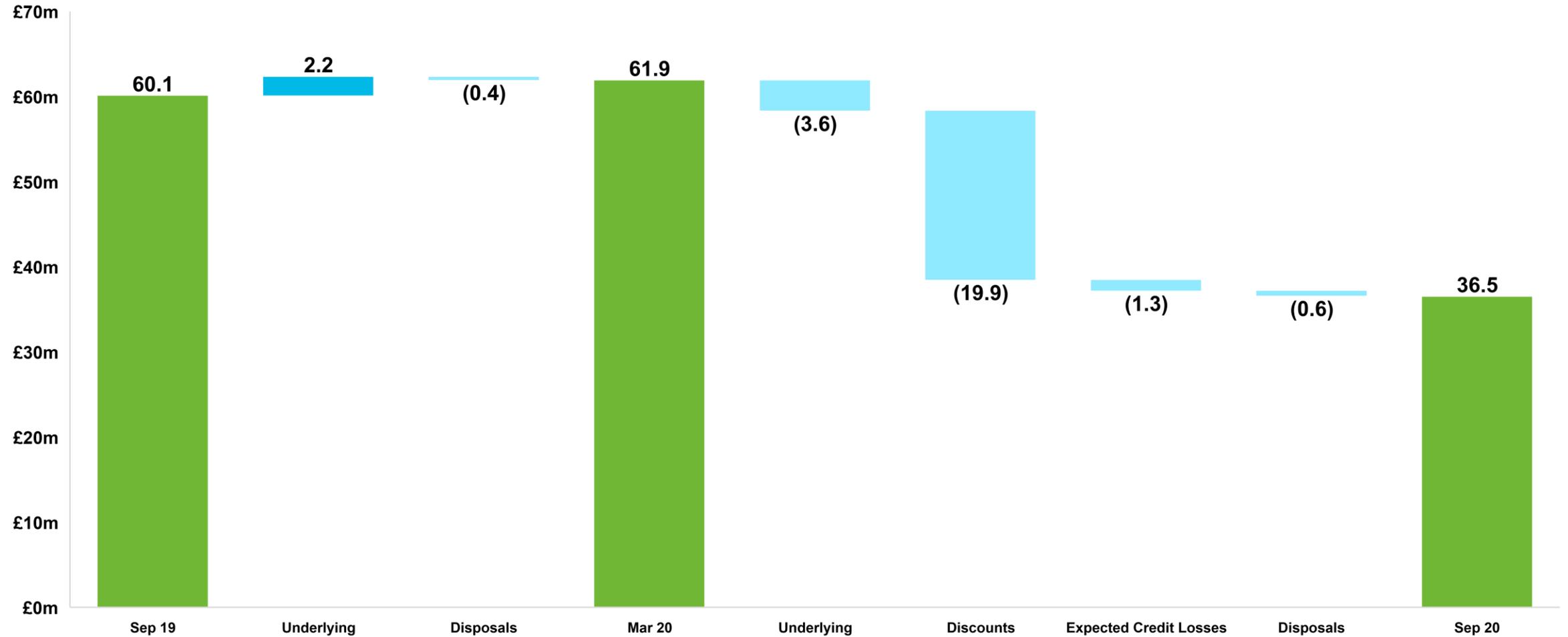
Financial review

Income statement

£m	Sep 20	Sep 19	Change
Net rental income before discounts	57.9	60.3	-4%
Discounts	(19.9)	-	
Expected credit losses	(1.5)	(0.2)	
Net rental income	36.5	60.1	-39%
Administrative expenses	(9.4)	(8.5)	+11%
Net finance costs	(11.8)	(11.5)	+3%
Trading profit after interest	15.3	40.1	-62%
Change in fair value of investment properties	(125.3)	59.6	
Loss on sale of investment properties	(0.2)	-	
Other items	(0.2)	(0.6)	
Profit before tax	(110.4)	99.1	-211%
Adjusted underlying earnings per share	8.4p	22.1p	-62%
Interim dividend per share	-	11.67p	

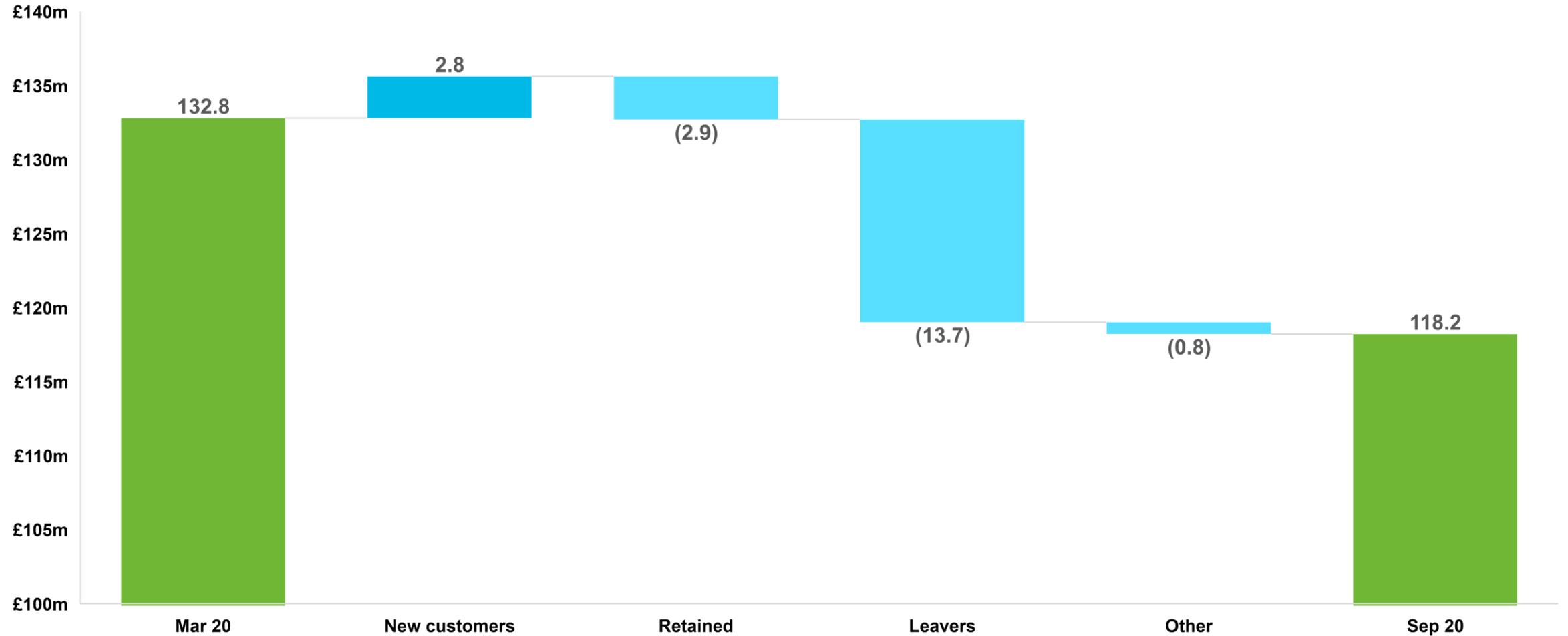
Financial review

Net rental income



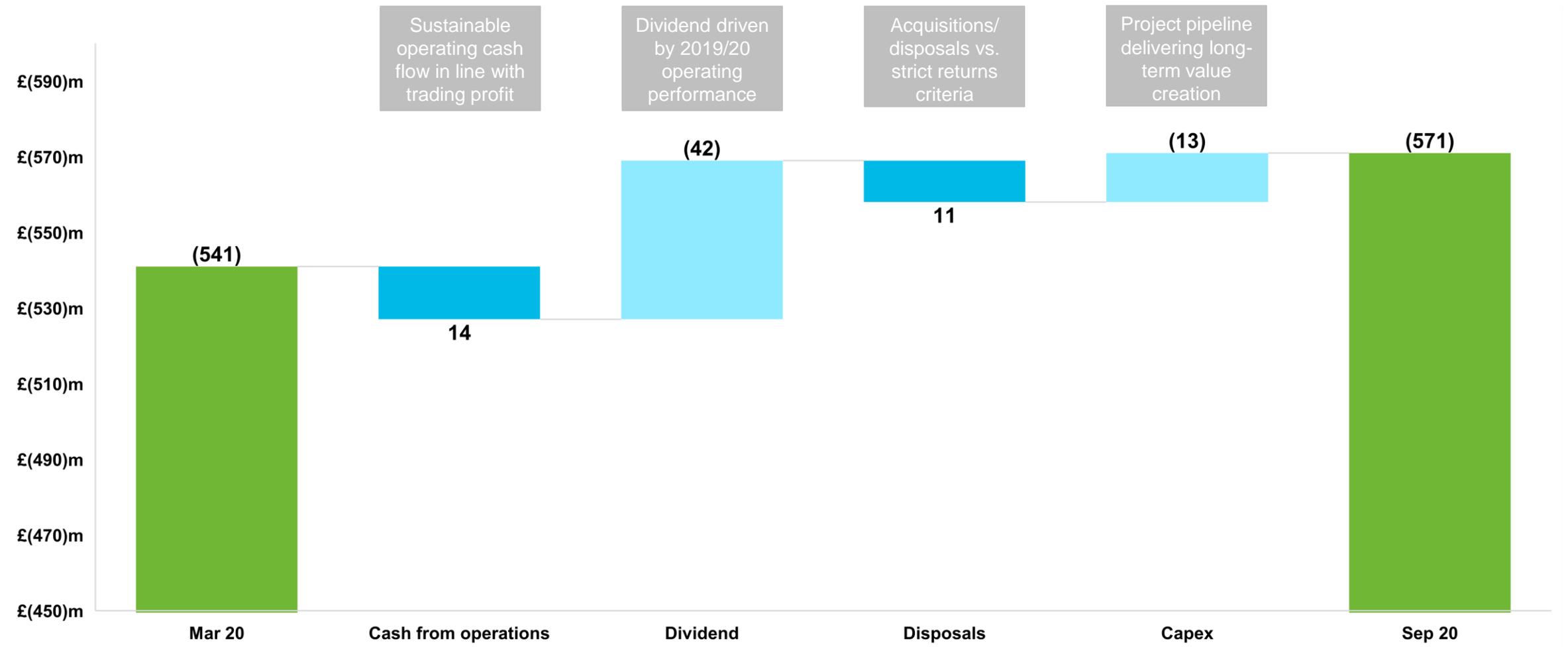
Financial review

Rent roll



Financial review

Net debt



Financial review

Robust cash collection

£m	Q1	Q2	H1
Rent collected as proportion of rent receivable after discounts and deferrals	97%	94%	95%
Rent collected as proportion of gross rents	44%	88%	66%

First half

50% discount given to majority of customers in respect of Q1, with some deferrals on a case by case basis

95% of first half rent collected, net of discounts and deferrals

Outstanding balances weighted towards and travel, hospitality, leisure and retail sectors

Majority of outstanding balance covered by rent deposits or provisions

Q3 to date

86% of Q3 rent due (including October monthly rent) collected to date

All data as at 2 November 2020

Financial review

Balance sheet

£m	Sep 20	Mar 20
Investment property valuation	2,450	2,574
Net debt	(571)	(541)
Other	(34)	(35)
Net assets	1,845	1,998
EPRA NTA per share	£10.05	£10.88
EPRA NRV per share	£10.98	£11.92
Loan to value	23%	21%

*EPRA NRV (Net Reinstatement Value) includes purchasers costs of £167m (Mar 20: £188m).

Financial review

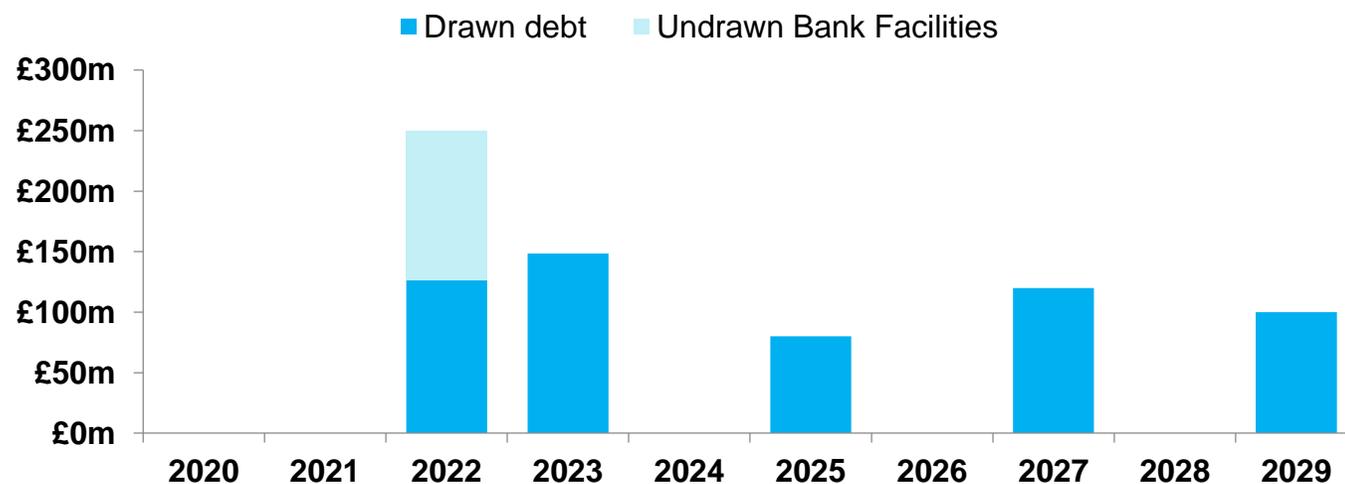
Valuation

£m	30 Sep 2020 Valuation	Movement in H1		
Like-for-like	1,898	(93)	ERV per sq. ft. down 3.1% Equivalent yield out 8bps	£(64)m £(29)m
Completed projects	126	(6)	Mare Street Studios 160 Fleet Street	£(3)m £(3)m
Current refurbishments	323	(25)	Fitzroy Street Biscuit Factory (J block)	£(6)m £(4)m
Current redevelopments	103	(2)		
Total	2,450	(126)		

Financial review

Debt

	Sep 20	Mar 20
Net debt	£571m	£541m
Average interest cost	3.8%	3.7%
Undrawn revolver facilities and cash	£127m	£166m
Marginal cost (undrawn facilities) over LIBOR	1.5%	1.5%
Average period to maturity	4.1 years	4.5 years



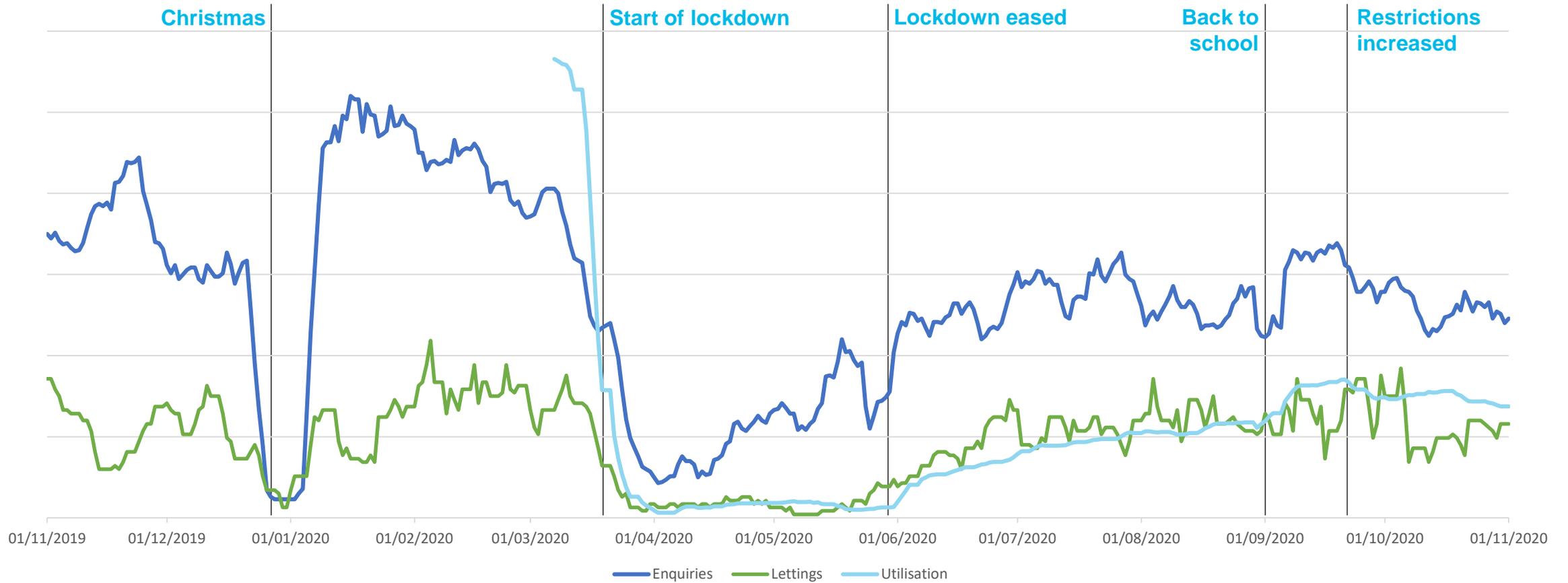
Covenants	Sep 20
Interest cover > 2x NRI	4.5x
LTV < 60%	23%

Financial resilience to withstand:

- **52% reduction in NRI**
 - **61% fall in asset valuation**
- before covenants are breached

Financial review

Near term outlook dependent on Government policy



Indexed rolling seven day average

Financial review

Full year outlook

- Reduced first half rent roll impacting second half net rental income
- Existing customer activity and new demand sensitive to Government policy
- Expect continued pressure on occupancy and pricing in second half
- Robust cash collection and flexible capex schedule
- Strong balance sheet with significant covenant headroom





Outlook

Graham Clemett, CEO



Outlook

Multiple views on future of the office

Media commentary

FT

"Businesses are not yet able to reap the full productivity benefits that researchers have noted when staff have the choice of where to work"

THE SUNDAY TIMES

"The future probably holds a hybrid model... Yet the face-to-face meeting, and the office work that is its close cousin, will prove surprisingly resilient over the long term because they offer a competitive advantage"

The Daily Telegraph

"Landlords are betting that people will eventually head back to the office... This is wishful thinking. Life has changed, almost certainly permanently."

The Guardian

"Surviving office workers may demand, and be granted, more elbow room to practise social distancing. The net result for landlords could be a score draw."

Property Week

"A prolonged period of home-working and lingering health concerns have fundamentally shifted how we want to work and how we will use our office spaces...our home offices can't deliver the digital sophistication or security required"

Business commentary



"The future of work is offering employees more optionality."
Jennifer Christie, HR Director



"The idea that people will return to the five-day week in the office has gone, and I think a much more blended approach is likely"
Richard Kauntze, CEO, British Council for Offices



"What I miss is when you walk into a physical meeting, you are talking to the person that is next to you, you're able to connect with them for the two minutes before and after."

Satya Nadella, CEO



"We have colleagues who may be working at the end of their bed or on a return unit in their kitchen. That is not sustainable or healthy for the longer term."

Matthew Hammond, Chairman of the Midlands region



"Not being able to get together in person, particularly internationally, is a pure negative... If I had to guess, the five-day workweek will become four days in the office while one day is virtual from home."

Reed Hastings, CEO

McKinsey & Company

"We were missing the 'heartbeat' of the workplace: the energy that comes from serendipitous encounters that aren't boxed into Zoom screens; the creativity that comes from spontaneous collaboration; the trust and relationships that are built through countless and unsaid small gestures and interactions."

Vaibhav Gujral, Partner

Outlook

Workspace is ideally positioned



Key themes

Flexibility and choice

Community

Company culture

Learning and development

Creativity and collaboration

Secure, high speed technology

Mental health and wellbeing

Sustainability

Outlook

Flight to flexibility

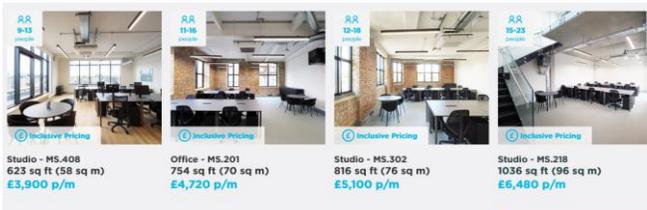
More than just flexible lease terms, our flexible business model means we:



Allow customers to personalise their space



Provide communal space beyond the office

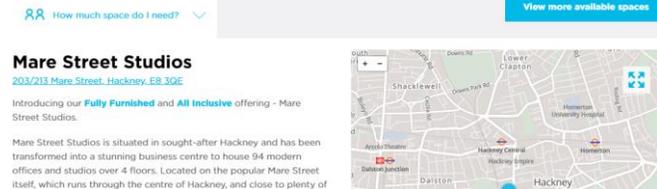


RR 9-15 months	RR 11-16 months	RR 12-18 months	RR 18-24 months
Studio - MS.408 623 sq ft (58 sq m) £3,900 p/m	Office - MS.201 754 sq ft (70 sq m) £4,720 p/m	Studio - MS.302 816 sq ft (76 sq m) £5,100 p/m	Studio - MS.218 1036 sq ft (96 sq m) £6,480 p/m

Flex pricing and space options



Adapt our offer to meet changing customer needs



Mare Street Studios
203/213 Mare Street, Hackney, E8 3GE

Introducing our **Fully Furnished** and **All Inclusive** offering - Mare Street Studios.

Mare Street Studios is situated in sought-after Hackney and has been transformed into a stunning business centre to house 94 modern offices and studios over 4 floors. Located on the popular Mare Street itself, which runs through the centre of Hackney, and close to plenty of

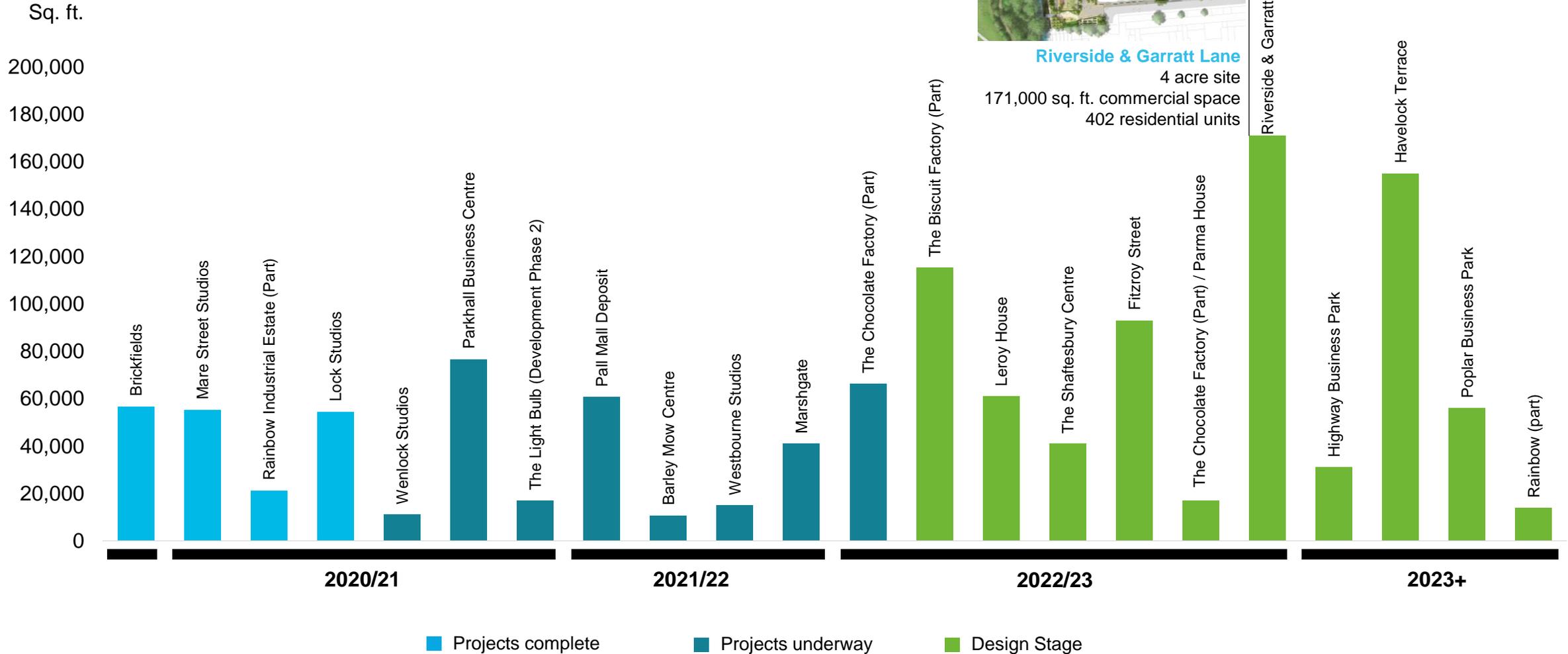
Outlook

Unique property portfolio



Outlook

Extensive project pipeline



Outlook

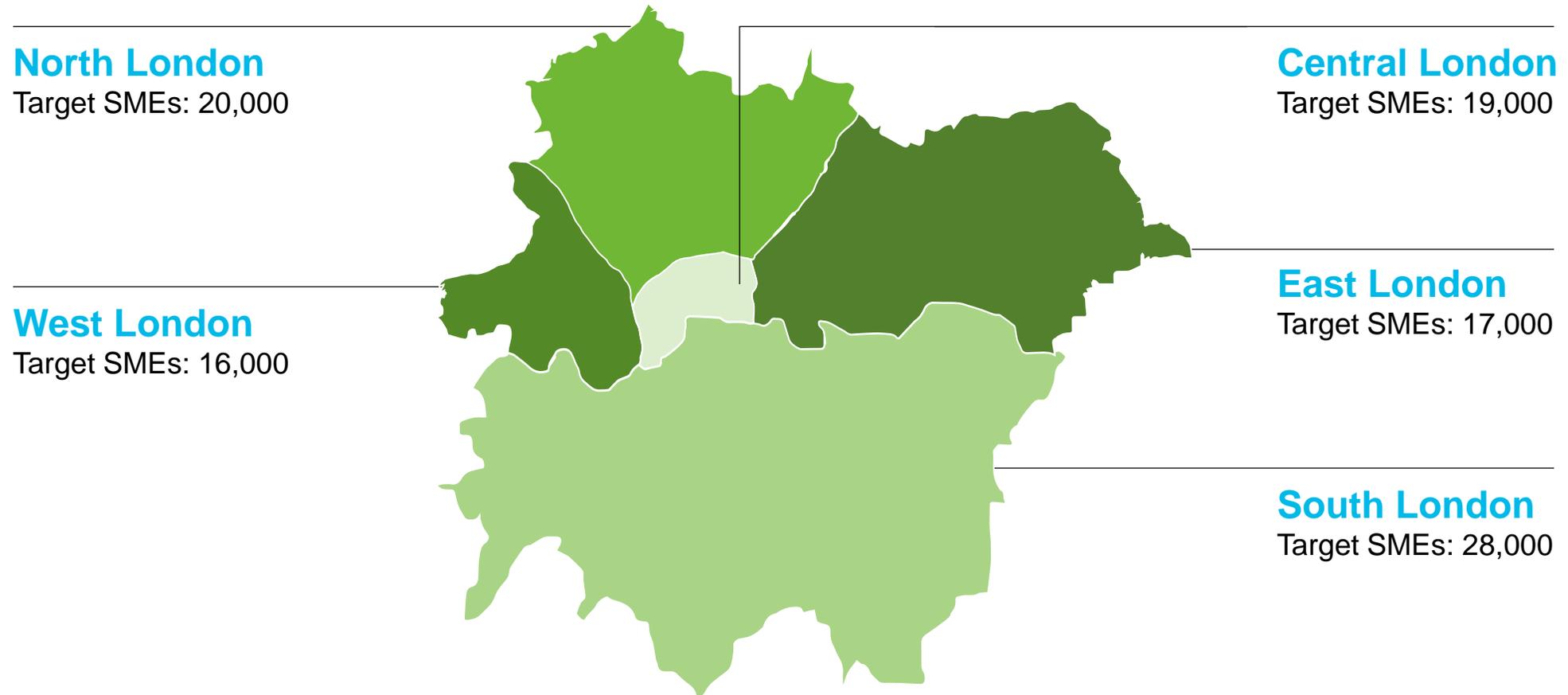
Enhancing our ESG credentials

- Project plans align with our strategy of employment-led regeneration of London
 - Bringing more employment to emerging areas
 - Refurbished or built with sustainability in mind
- Science-based targets approved with further commitments to reduce greenhouse gas emissions
- 754 customers and employees attended virtual wellbeing events during first half
- Employee-led programme of virtual work experience and CV workshops delivered for young Londoners



Outlook

Our market opportunity



Source: ONS Business Population Estimates 2019, ONS UK Business Counts 2019

Outlook

Our market opportunity

North London

Target SMEs: 20,000

WKP Share: 1%

Central London

Target SMEs: 19,000

WKP Share: 3%

West London

Target SMEs: 16,000

WKP Share: 4%

East London

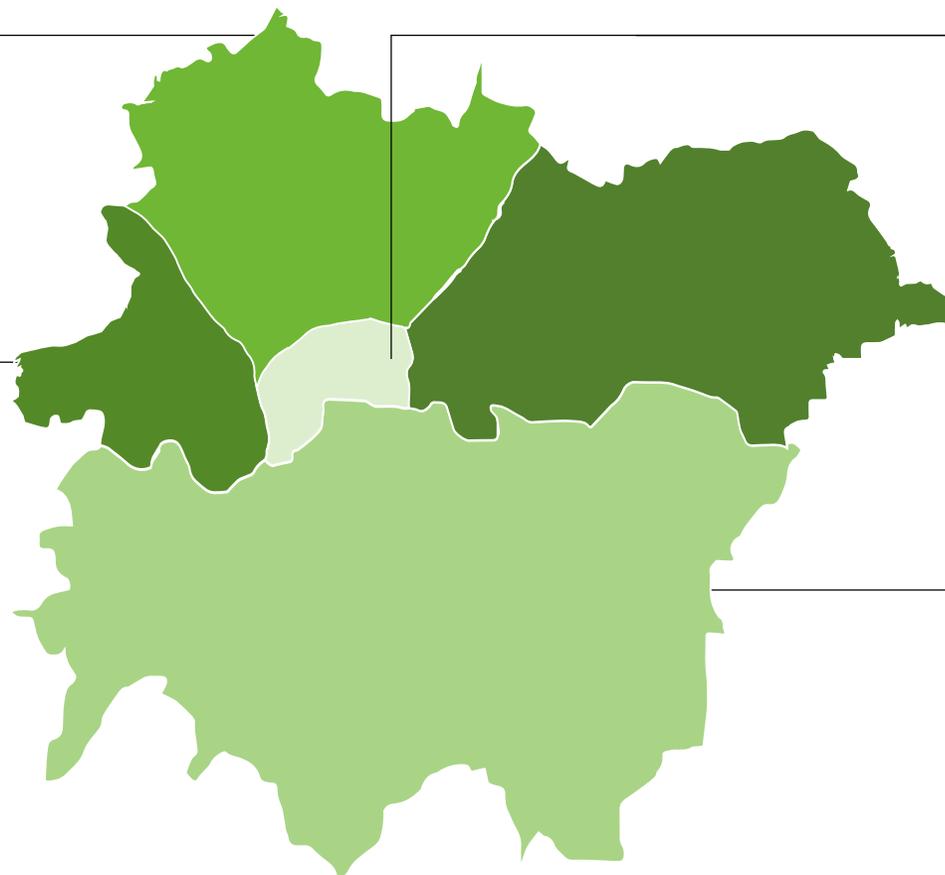
Target SMEs: 17,000

WKP Share: 2%

South London

Target SMEs: 28,000

WKP Share: 5%



Source: ONS Business Population Estimates 2019,
ONS UK Business Counts 2019, Company data

Outlook

Summary

Challenging operating environment

- Increased customer activity
- Encouraging levels of enquiries and lettings
- Resilient trading performance
- Strong rent collection rates
- Conservatively financed
- Well placed to navigate challenges ahead



Growth opportunity ahead

- Proven flexible model
- Distinctive freehold portfolio
- Extensive project pipeline
- Market-leading position



Supplementary information

Appendix

Refurbishment projects (1 of 2)

At September 2020	Valuation	Actual/ Estimated cost	Cost to Complete	Completion	Unaffected area (sq. ft.)	Upgraded area (sq. ft.)	New Space (sq. ft.)	Estimated ERV (Average)	Estimated Rent at 90% occupancy	Sep 2020 Rent Roll
Completed										
160 Fleet Street	£26m	£2m	–	Aug 2017	–	42,195	–	£52	£2.0m	£1.1m
Brickfields	£42m	£27m	–	Jun 2019	–	–	56,755	£43	£2.2m	£1.7m
Rainbow Industrial Estate (Phase 1)	£8m	£6m	–	May 2020	–	–	21,180	£23	£0.4m	£0.1m
Mare Street Studios	£31m	£21m	–	Jun 2020	–	–	55,287	£39	£1.9m	£0.1m
	£107m	£56m	–		–	42,195	133,222		£6.5m	£3.0m

Appendix

Refurbishment projects (2 of 2)

At September 2020	Valuation	Actual/ Estimated cost	Cost to Complete	Estimated Completion	Unaffected area (sq. ft.)	Upgraded area (sq. ft.)	New Space (sq. ft.)	Estimated ERV (Average)	Estimated Rent at 90% occupancy*	Sep 2020 Rent Roll
Underway										
Wenlock Studios	£19m	£1m	£1m	H2 20/21	19,886	11,059	–	£40	£1.1m	£0.9m
Parkhall Business Centre	£35m	£2m	£1m	H2 20/21	43,310	76,646	–	£19	£2.0m	£1.6m
Pall Mall Deposit	£24m	£12m	£3m	H1 21/22	–	47,697	13,016	£36	£1.9m	£0.5m
Barley Mow Centre (phase 2)	£41m	£2m	£2m	H1 21/22	66,610	10,727	–	£34	£2.4m	£1.6m
Westbourne Studios (phase 1)	£29m	£2m	£2m	H1 21/22	42,791	14,954	–	£45	£2.4m	£1.1m
The Chocolate Factory (part)	£17m	£11m	£6m	22/23	–	58,833	7,438	£26	£1.6m	£0.6m
	£165m	£30m	£15m		172,597	219,916	20,454		£11.4m	£6.3m
Design Stage										
The Biscuit Factory (J block)		£19m	£19m	22/23	–	83,811	31,569			
Leroy House [#]		£15m	£15m	22/23	–	46,000	15,000			
Fitzroy Street		£36m	£36m	22/23	–	93,000	–			
The Shaftesbury Centre [#]		£15m	£15m	22/23	–	–	41,000			
		£85m	£85m		–	222,811	87,569			
Design Stage (without planning)										
Havelock Terrace		£60m	£60m	23/24	–	–	155,000			
		£60m	£60m		–	–	155,000			

[#] Currently in like-for-like category

* Includes rent for unaffected areas at March 2020 rental levels

Appendix

Redevelopment projects

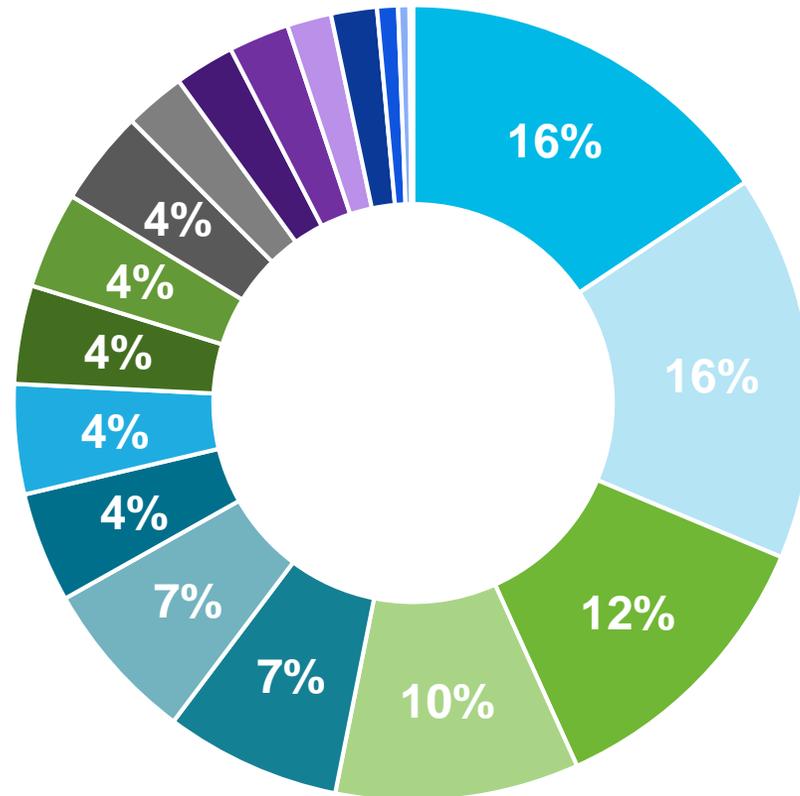
At September 2020	Development partner	Valuation	Sep 2020 Rent Roll	Commercial Space estimated completion	Residential units no.	Commercial space returned			Other proceeds		
						New Space (sq. ft.)	Estimated ERV	Estimated Rent*	Cash received	Cash to come	Overage to come
Completed											
Lock Studios (includes Bow Phase 1)	Galliford Try	£19m	£0.3m	Jun 2020	130	54,477	£23	£1.2m	£6m	–	–
		£19m	£0.3m		130	54,477		£1.2m	£6m	–	–
Underway/Contracted											
The Light Bulb (Phase 2)	Strawberry Star	£8m	–	H2 20/21	77	17,071	£35	£0.6m	£8m	–	–
Marshgate	Anthology	£15m	–	H1 21/22	200	41,000	£20	£0.7m	£11m	£4m	n/a
		£23m	–		277	58,071		£1.3m	£19m	£4m	£0m
Design Stage											
The Chocolate Factory (part) / Parma House/ Mallard Place			£0.6m	22/23	244	17,000					
Riverside# / Garratt Lane			£2.4m	22/23	402	171,000					
Highway Business Park			£0.3m	23/24	117	31,000					
Poplar Business Park (Phase 2/3)			£0.9m	26/27	222	56,000					
Rainbow (Phase 2)			£0.2m	TBD	224	13,808					
			£4.4m		1,209	288,808					

Currently in like-for-like category

* Estimated rent at 90% occupancy

Appendix

Diversified customer base

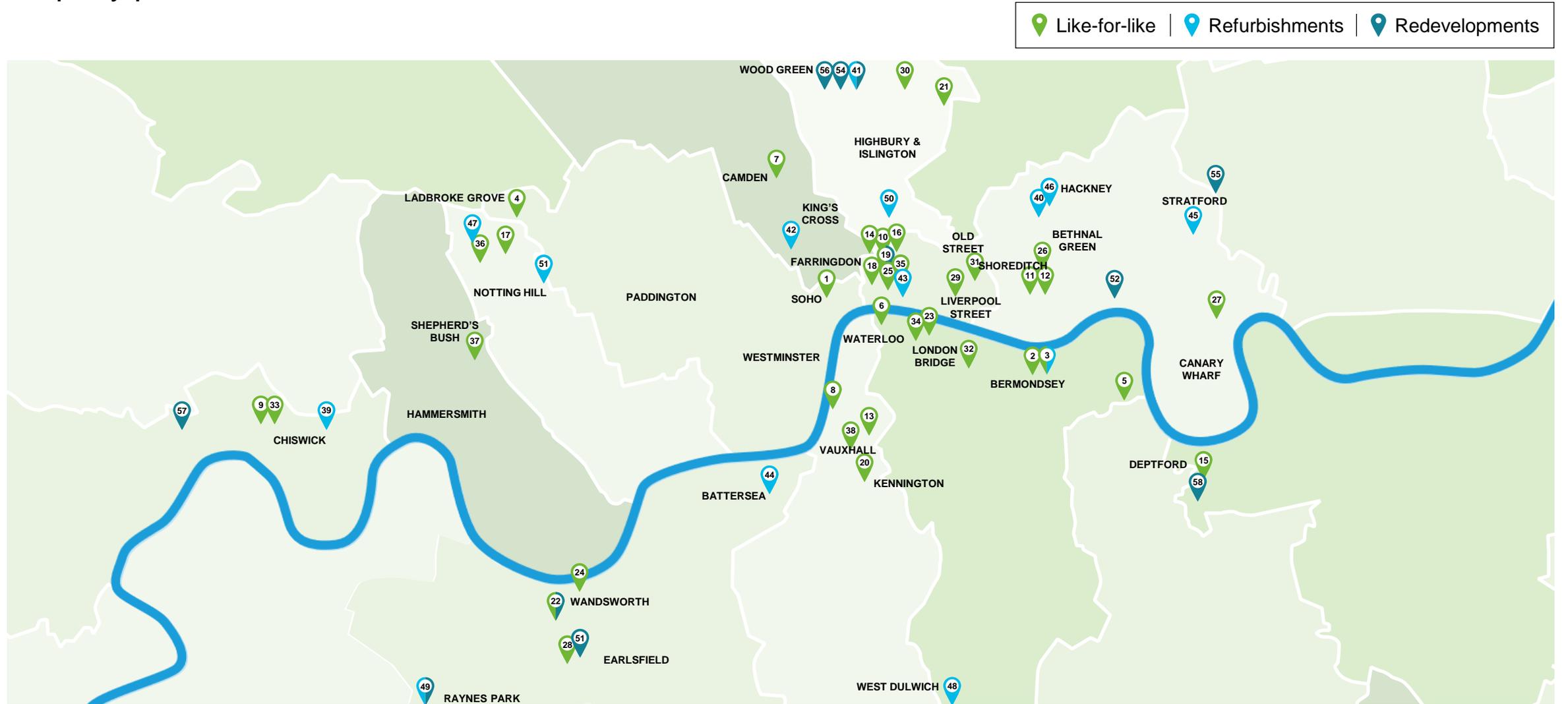


- Information, Communication & Technology
- Professional, Technical & Consultancy Services
- Wholesale & Retail
- Arts, Entertainment & Recreation
- Financial Services
- Marketing
- Administrative & Support Services
- Not For Profit
- Construction & Property
- Design
- Travel, Hospitality & Leisure
- Manufacturing
- Other
- Retail Units
- Education
- Health & Social Work
- Transportation & Storage
- Utilities

Data as at 30 September 2020

Appendix

Property portfolio



Appendix

Property portfolio

Like-for-like

Map Ref	Property Name	Net lettable area (sq.ft.)	Net Rent Roll (£)
1	Archer Street Studios	14,984	653,396
2	Biscuit Factory (Cocoa Studios)	38,413	805,823
3	Biscuit Factory (Part)	127,130	2,520,411
4	Canalot Studios	49,513	1,305,403
5	Cannon Wharf	32,619	580,476
6	Cargo Works	71,217	3,477,930
7	Centro Buildings	213,049	10,297,802
8	China Works	68,808	1,973,460
9	Chiswick Studios	14,254	547,711
10	Clerkenwell Workshops	52,879	2,098,498
11	E1 Studios	40,797	1,089,790
12	East London Works	39,121	1,316,220
13	Edinburgh House	65,492	2,235,868
14	Exmouth House	57,560	3,194,599
15	Fuel Tank	35,188	457,333
16	338 Goswell Road	41,490	1,638,268
17	Grand Union Studios	63,640	2,093,819
18	60 Gray's Inn Road	36,138	1,660,034
19	Ink Rooms	22,235	1,162,945
20	Kennington Park	360,996	9,560,730

Map Ref	Property Name	Net lettable area (sq.ft.)	Net Rent Roll (£)
21	Leroy House	46,802	985,337
22	Light Bulb (part)	52,644	1,516,122
23	Metal Box Factory	106,667	5,490,890
24	Morie Street	21,710	574,244
25	Peer House	10,222	337,888
26	Pill Box	50,409	1,158,623
27	Poplar Business Park	65,178	949,731
28	Riverside	101,786	1,698,891
29	Salisbury House	233,611	11,675,965
30	ScreenWorks	63,974	1,842,432
31	The Frames	52,271	2,831,396
32	The Leather Market	145,876	4,950,276
33	The Light Box	78,489	1,807,873
34	The Print Rooms	46,064	1,832,514
35	The Record Hall	57,015	1,566,882
36	The Shaftesbury Centre	12,627	250,184
37	The Shepherds Building	148,679	6,669,357
38	Vox Studios	107,103	4,010,988

Appendix

Property portfolio

Refurbishments

Map Ref	Property Name	Net lettable area (sq.ft.)	Net Rent Roll (£)
39	Barley Mow Centre	77,337	1,625,246
40	Brickfields	56,755	1,718,613
41	Chocolate Factory (part)	61,778	613,728
42	Fitzroy Street	92,669	4,855,410
43	160 Fleet Street	42,195	1,047,421
44	Havelock Terrace	58,164	969,967
45	Lock Studios	54,477	329,755
46	Mare Street Studios	55,287	45,965
47	Pall Mall Deposit	47,697	458,487
48	Parkhall Business Centre	119,956	1,598,890
49	Rainbow Industrial Estate (Part)	21,180	139,089
3	The Biscuit Factory (Part)	88,080	1,720,107
50	Wenlock Studios	30,945	845,668
51	Westbourne Studios	57,745	1,129,001

Redevelopments

Map Ref	Property Name	Net lettable area (sq.ft.)	Net Rent Roll (£)
41	Chocolate Factory (dev)	51,023	245,084
52	Garratt Lane	43,000	688,000
53	Highway Business Park	19,860	269,307
22	Light Bulb (Part)	0	0
54	Mallard Place	10,150	130,000
55	Marshgate Business Centre	0	0
56	Parma House	34,983	194,489
57	Q West	54,961	539,265
49	Rainbow Industrial Estate (Part)	89,934	210,016
58	Thurston Road	0	0

Appendix

Disclaimer

The information in this document may include forward-looking statements, which are based on current expectations and projections about future events. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as 'anticipate', 'estimate', 'expect', 'intend', 'will', 'project', 'plan', 'believe', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. These forward-looking statements reflect the directors' current beliefs and expectations and are subject to risks, uncertainties and assumptions about the Company, including, amongst other things, the development of its business, trends in its operating industry, returns on investment and future capital expenditure and acquisitions, that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statements. None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects have been prepared are correct or exhaustive or, in the case of the assumptions, fully stated in the document.

As a result, you are cautioned not to place reliance on such forward-looking statements as a prediction of actual results or otherwise. The information and opinions contained in this document are provided as at the date of this document and are subject to change without notice. Other than in accordance with its legal or regulatory obligations (including under the Market Abuse Regulations, UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), neither the Company nor anyone else undertakes to publicly update or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

This presentation should also be read in the light of the Company's preliminary results announcement for the half year ended 30 September 2020. No statement in this document is or is intended to be a profit forecast or profit estimate or to imply that the earnings of the Company for the current or future financial years will necessarily match or exceed the historical or published earnings of the Company.