

FULL YEAR RESULTS 2020

Investor and Analyst Presentation
5 June 2020



Agenda



1.

Introduction
Graham Clemett,
CEO



2.

Financial review
Dave Benson,
CFO



3.

Outlook
Graham Clemett,
CEO



4.

Questions



5.

Supplementary
information



INTRODUCTION

Graham Clemett
CEO

Edinburgh House
Vauxhall



Introduction

Workspace



One of the leading providers of flexible office space in the London market

- 30+ years' operating experience
- c.4m sq. ft. of flexible office space over c.60 locations
- 100% property ownership
- Strategic focus on long-term income growth
- Scalable operating platform



Introduction

Financial highlights



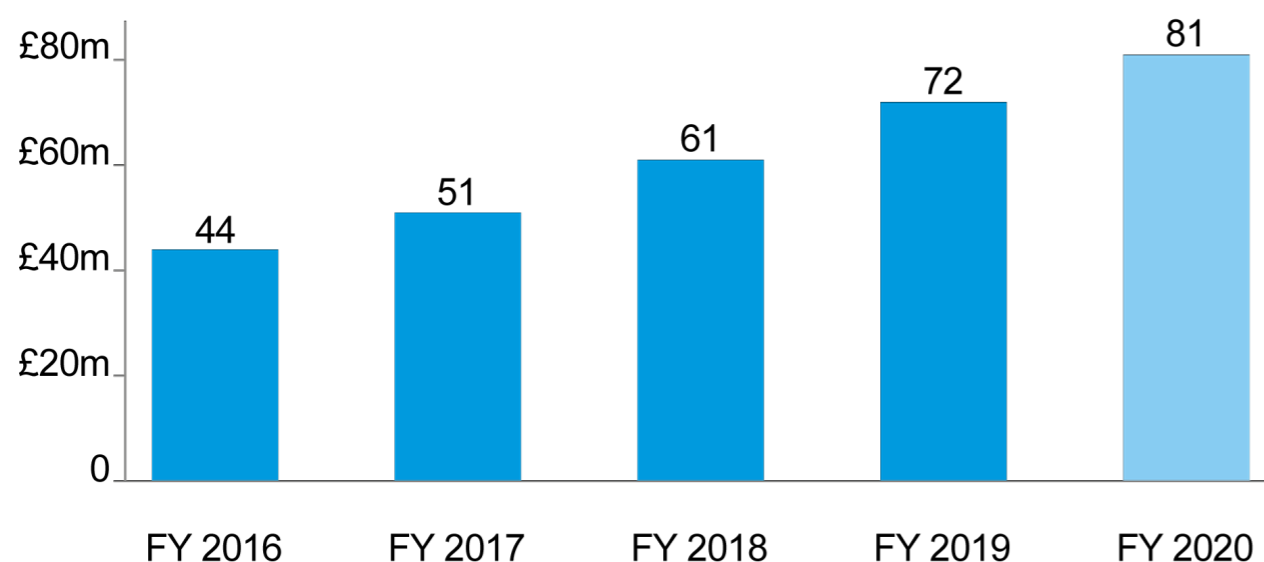
Strong trading performance

Net rental income	£122m	+10%
Trading profit after interest	£81m	+12%
Total dividend for the year	36.2p	+10%

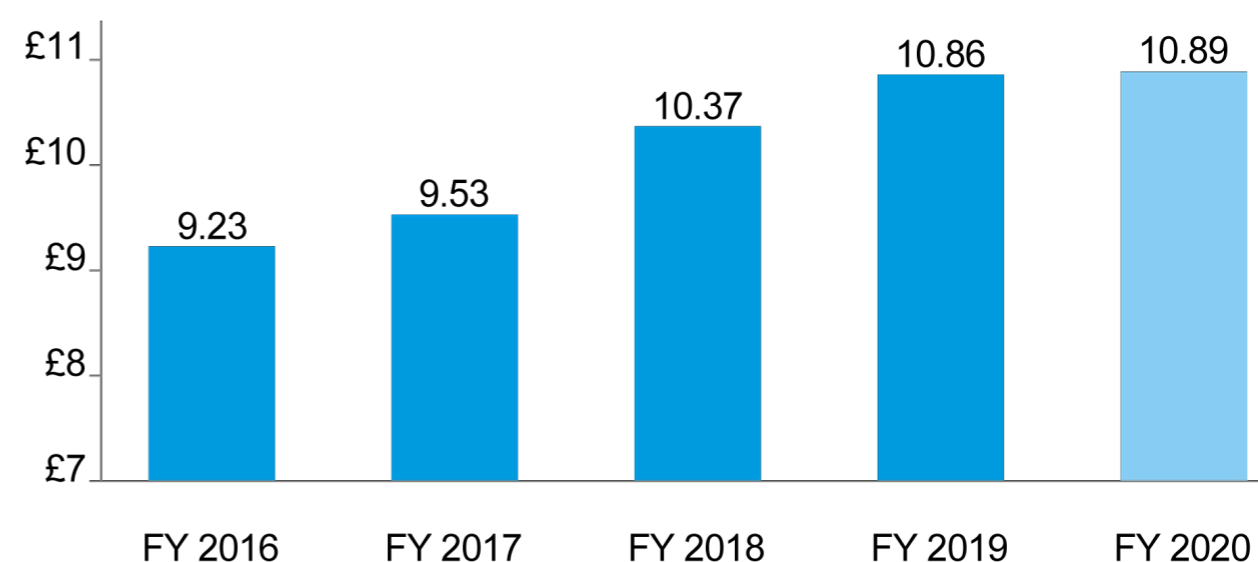
Underpinned by financial strength

Property valuation	£2,574m	(0.3)%
EPRA NAV per share	£10.89	+0.3%
Loan-to-value	21%	(1)%

Trading profit after interest



EPRA NAV per share



Comparatives vs. prior year

Introduction

Operating performance



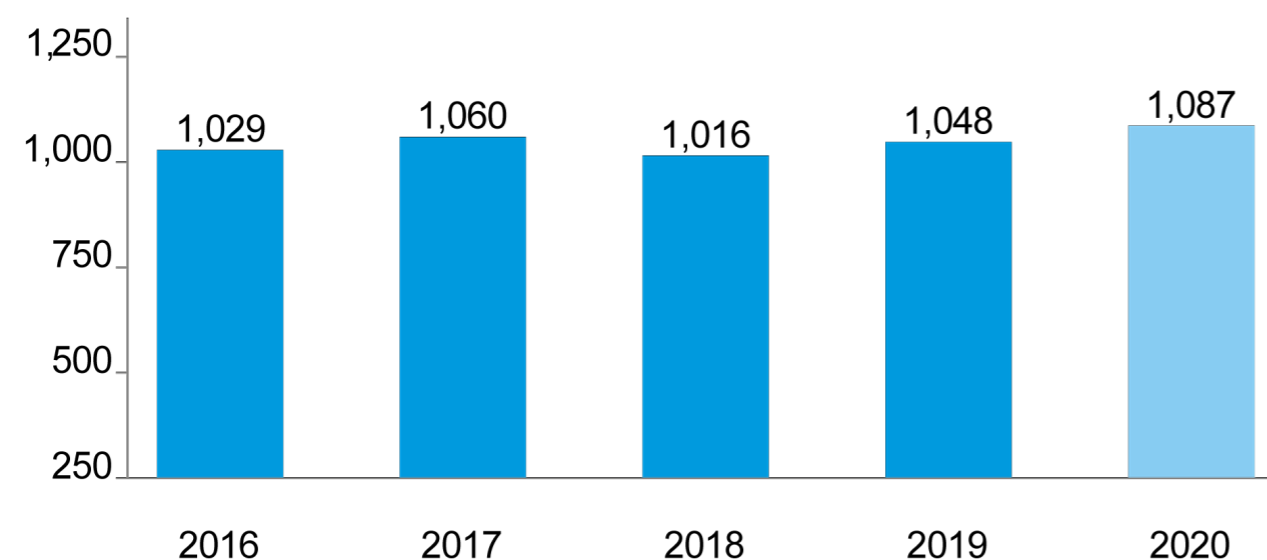
Operating platform driving growth

Enquiries per month	1,087	+4%
Viewings per month	675	+8%
Lettings per month	121	+18%

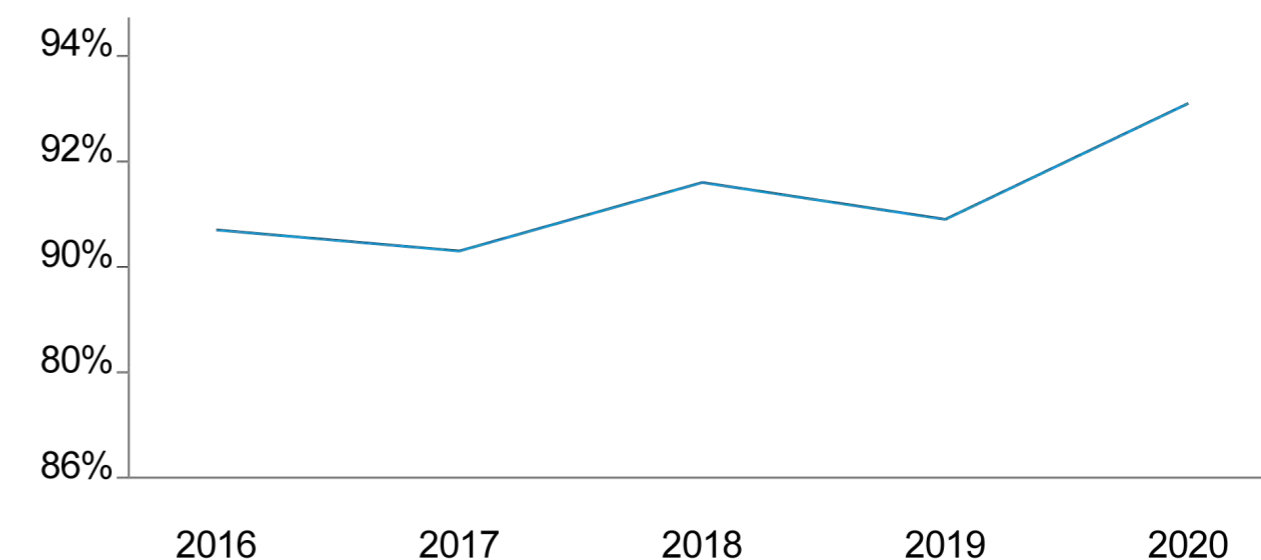
Good like-for-like performance

Like-for-like occupancy	93.1%
Like-for-like rent roll growth	+2%
Like-for-like rent per sq. ft.	£43

Enquiries per month



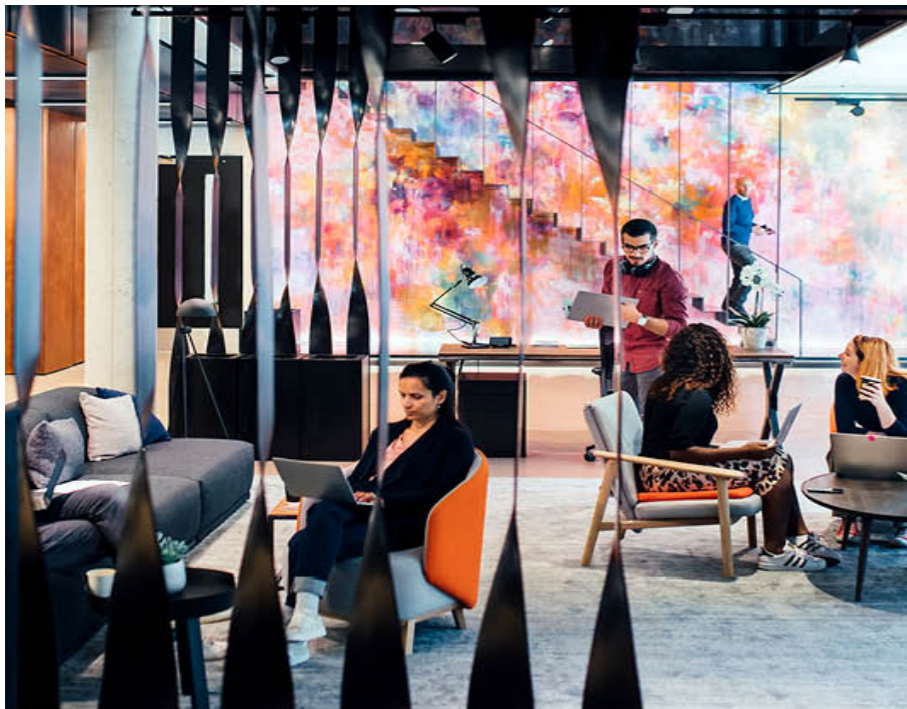
Like-for-like occupancy



Comparatives vs. prior year

Introduction

Project activity



The Frames,
Shoreditch

Opened:
September
2018

52,000 sq. ft.

Occupancy:
98%



Edinburgh
House, Vauxhall

Opened:
September
2018

65,000 sq. ft.

Occupancy:
100%



Brickfields,
Hoxton

Opened:
June 2019

57,000 sq. ft.

Occupancy:
68%



Mare Street
Studios,
Hackney

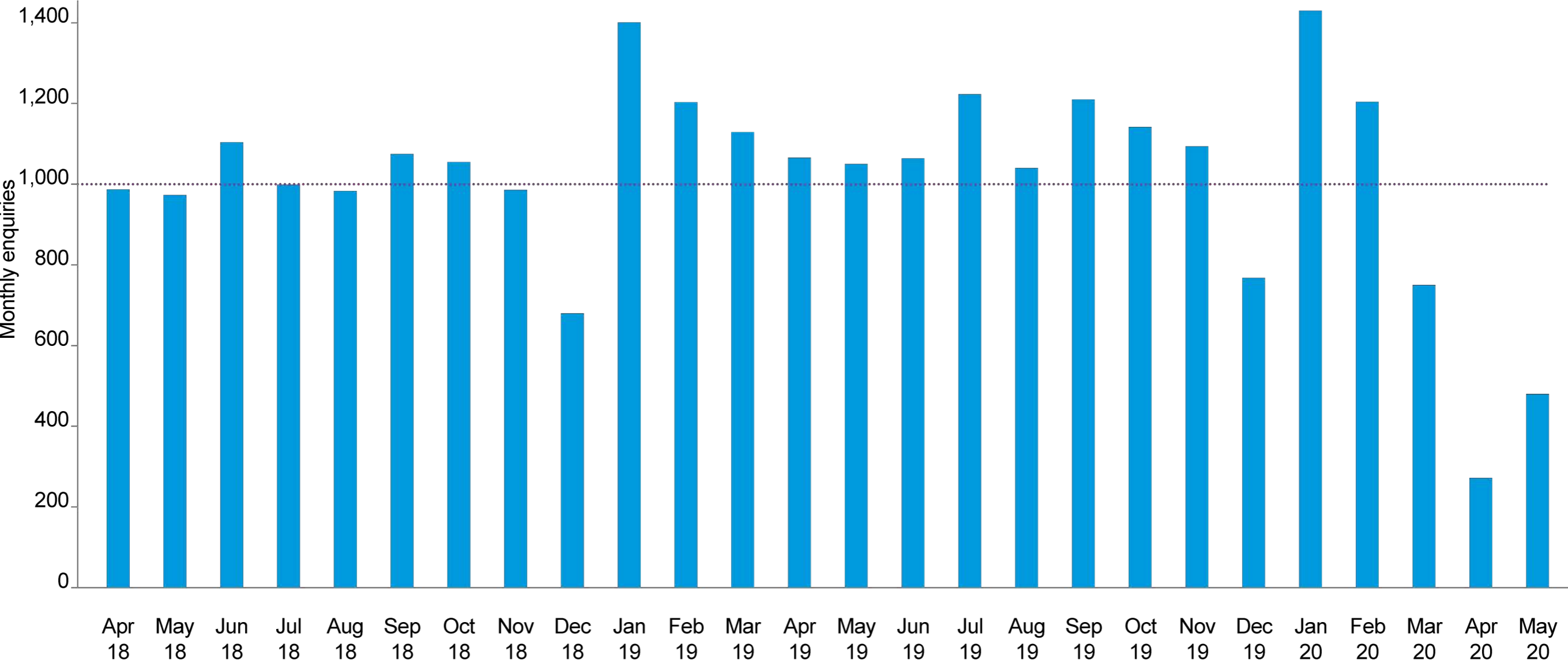
Opening:
Shortly

55,000 sq. ft.

Occupancy figures as at 31 March 2020

Introduction

Trend in customer enquiries



Introduction

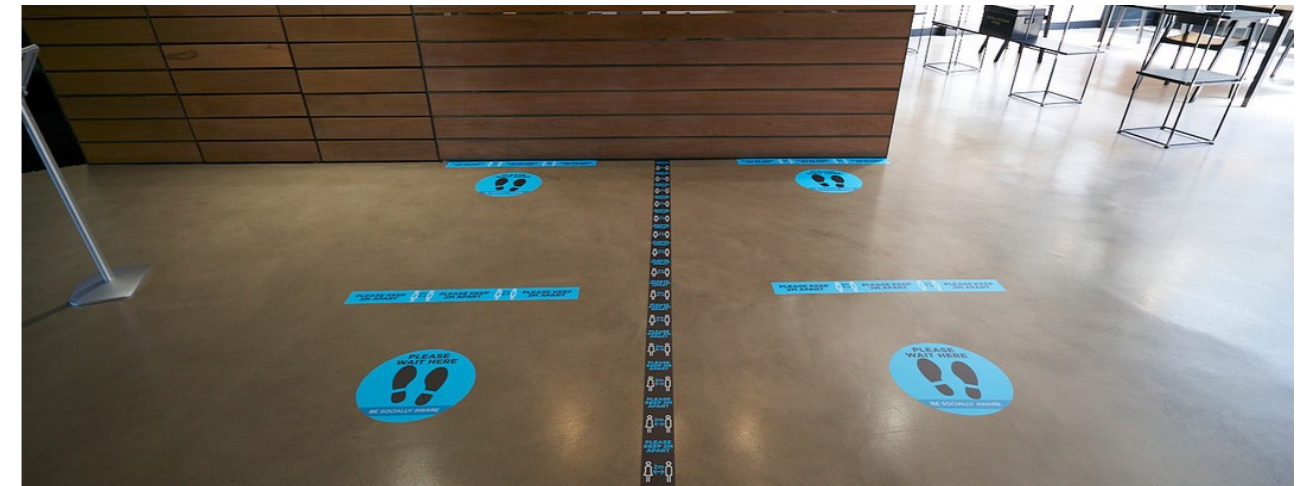
Covid-19 update



Actions taken

- Customer engagement on a one-to-one basis
- c.75% of customers* benefitting from 50% rent reduction
- Rent deferrals granted on a case-by-case basis
- Centres have remained open for key workers and essential access for all others

**By rental value*



Current situation

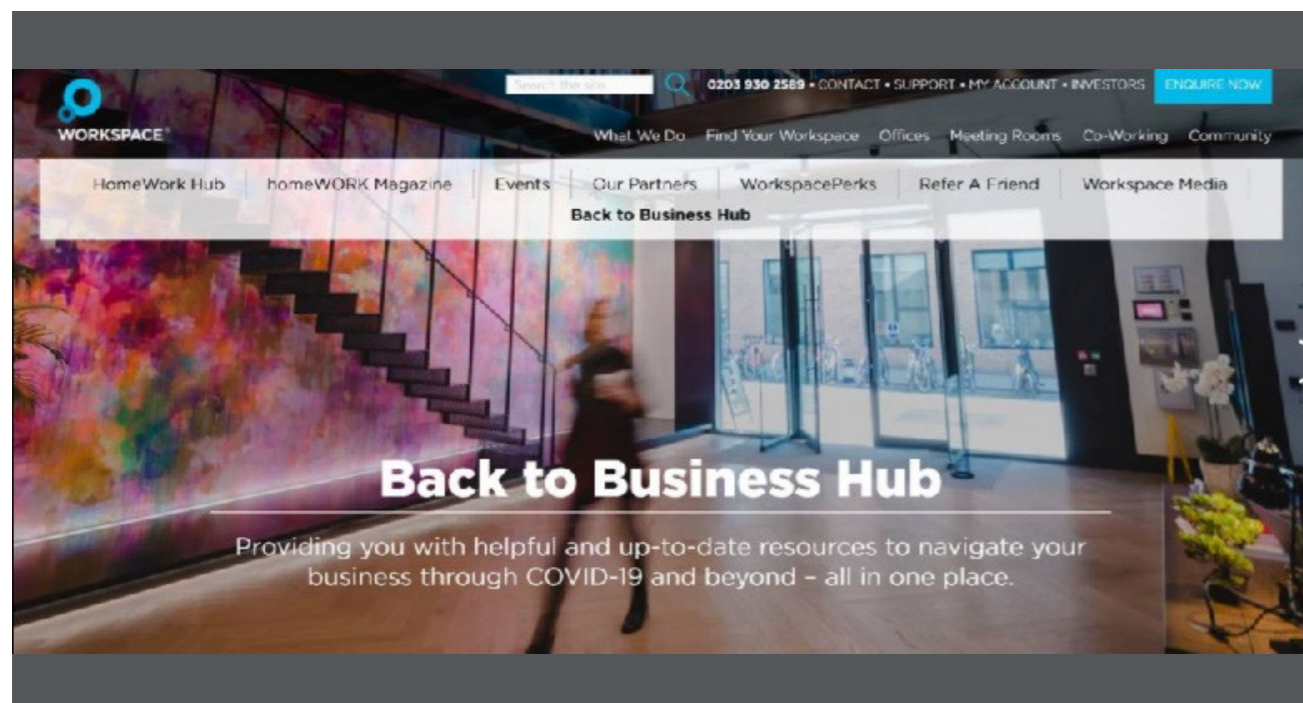
- c.70% of cash collected, net of discounts and deferrals in the quarter
- Ongoing customer engagement
- Tight focus on operating costs and capex
- Extensive measures to ensure centres safe for return of increasing number of customers

Introduction

Return to work measures



- Deep cleaning measures implemented at all centres
- Extensive signage to ensure social distancing
- One-way circulation systems throughout
- Restrictions on use of communal space
- Hand sanitisers installed
- Limit on meeting room capacity
- Restricted occupancy in lifts



FINANCIAL REVIEW

Dave Benson
CFO

Canterbury Court,
Kennington Park



Financial review

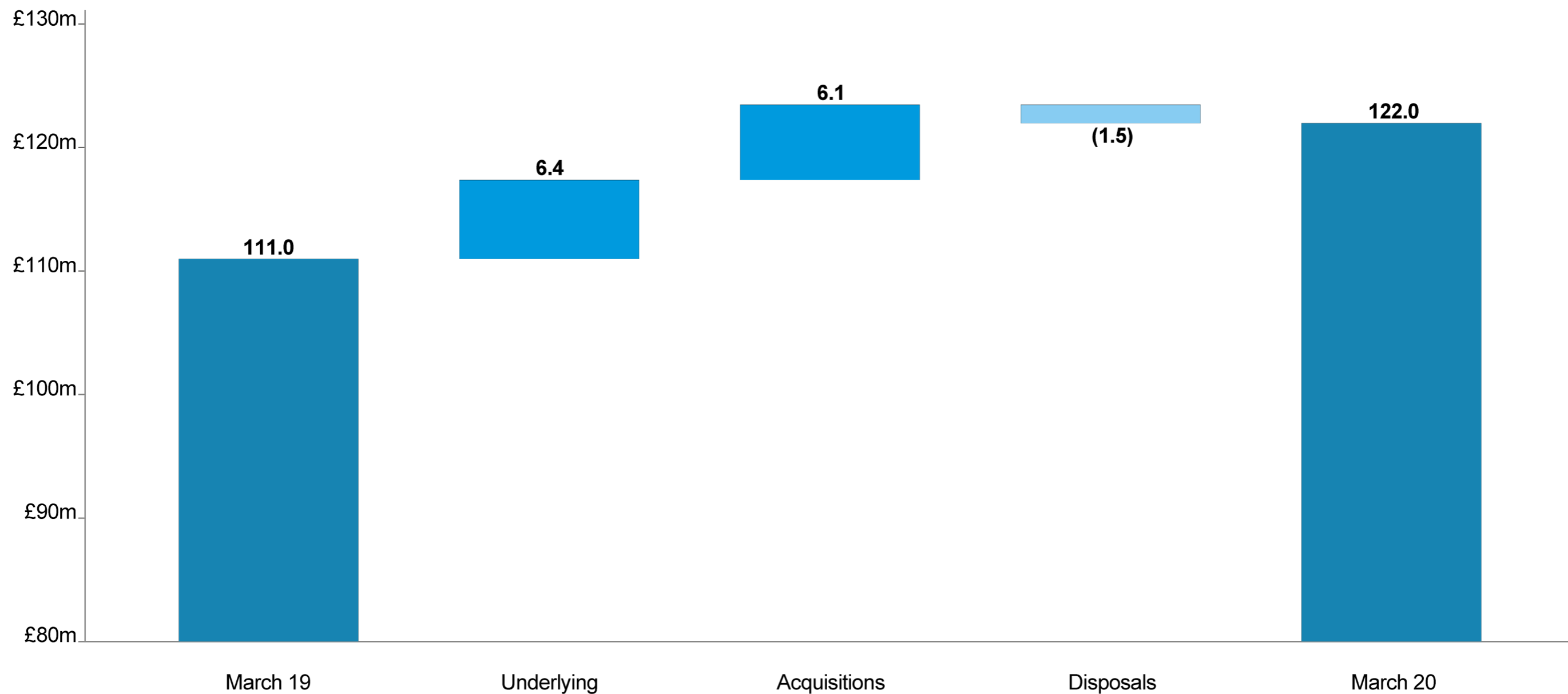
Income statement



£m	March 2020	March 2019	Change
Net rental income	122.0	111.0	+10%
Administrative expenses	(17.7)	(17.1)	+4%
Net finance costs	(23.3)	(21.5)	+8%
Trading profit after interest	81.0	72.4	+12%
Change in fair value of investment properties	(7.5)	60.8	
Profit/(loss) on sale of investment properties	(0.8)	8.3	
Exceptional finance costs	–	(3.1)	
Other items	(0.2)	(1.1)	
Profit before Tax	72.5	137.3	-47%
Adjusted underlying Earnings per share	44.6p	40.6p	+10%
Total dividend per share	36.16p	32.87p	+10%
Dividend cover	1.23	1.24	

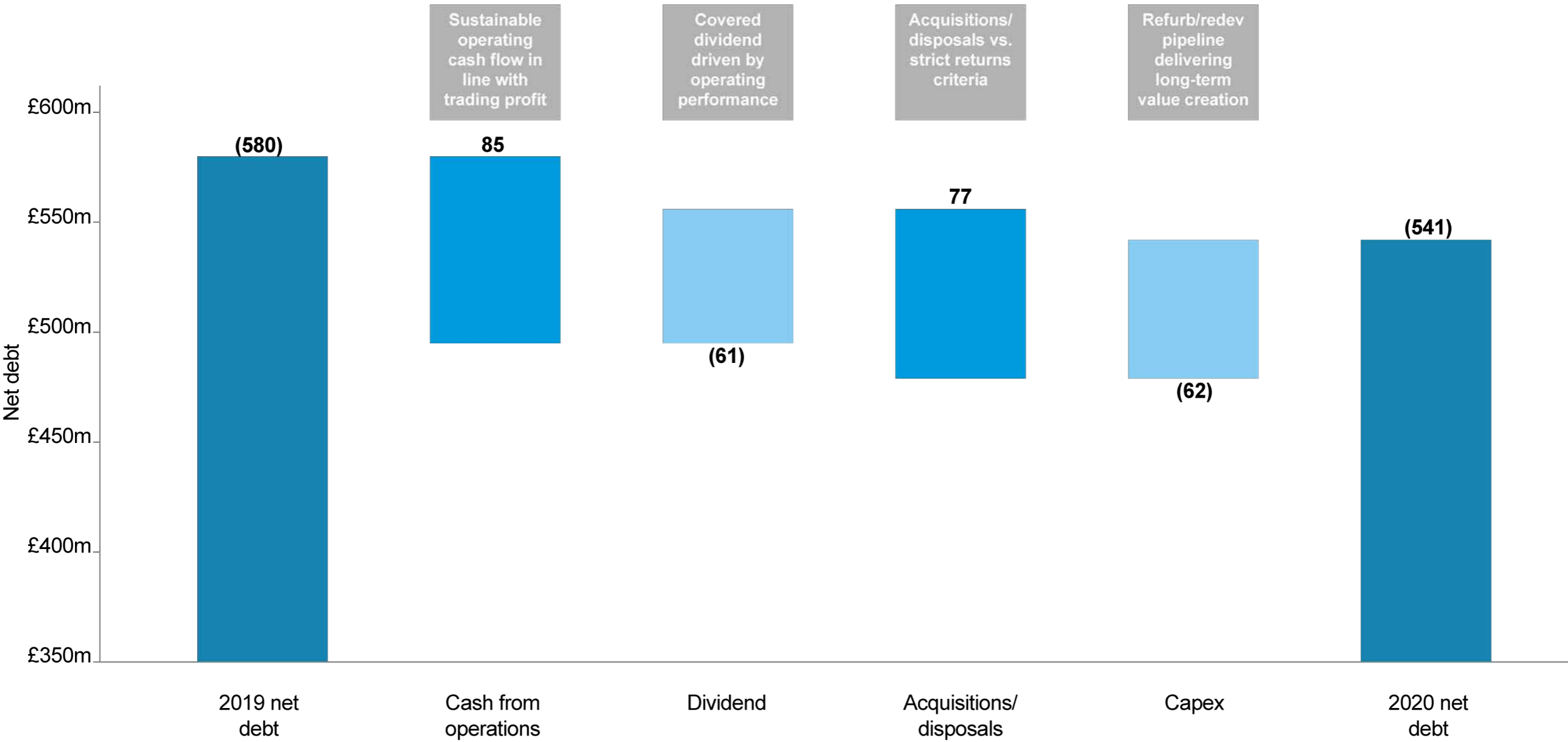
Financial review

Net rental income



Financial review

Cash flow



Financial review

Balance sheet



	March 2020	March 2019
Investment property valuation	2,574	2,604
Net debt	(541)	(580)
Other	(35)	(42)
Net assets	1,998	1,982
EPRA NAV per share	£10.89	£10.86
EPRA NRV per share*	£11.92	£11.91
Loan to Value	21%	22%

*EPRA NRV (Net Reinstatement Value) will replace current EPRA NAV from FY21 and includes purchasers' costs of £188m (2019: £190m).

Financial review

Valuation



£m	Valuation	Underlying movement		
		Full Year	H2	H1
Like-for-like	1,540	(27)	(54)	27
Completed projects	547	4	(11)	15
Current refurbishments	331	8	1	6
Current redevelopments	145	(2)	(3)	2
Held for sale/sold	11	9	0	9
Total	2,574	(8)	(67)	59

Like-for-like ERV up slightly in H2 as H1 pricing reductions stabilised

Uplift in value of completed projects due to strong demand and pricing at new properties

Current refurbishments uplift reflects near completion of Mare Street Studios

£32m Covid-19 related capital deduction in H2

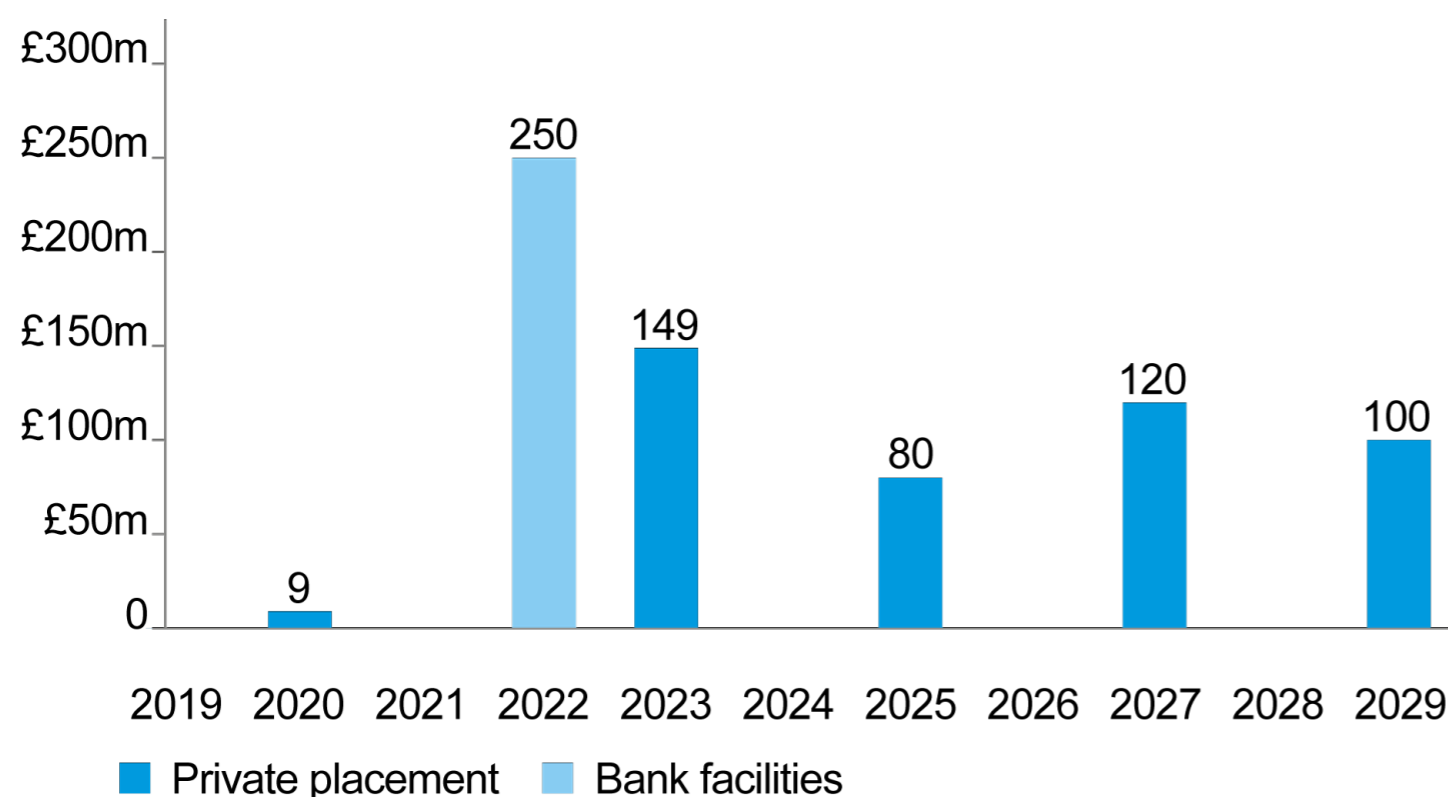
Financial review

Debt



	March 2020	March 2019
Net debt	£541m	£580m
Average interest cost	3.7%	3.7%
Undrawn revolver facilities and cash	£166m	£127m
Marginal cost (Undrawn facilities) over LIBOR	1.5%	1.5%
Average period to maturity	4.5 years	5.6 years

Maturity profile



Covenants

	March 2020
Interest cover > 2x NRI	5.2x
LTV < 60%	21%

Financial resilience to withstand:

- 62% reduction in NRI
- 65% fall in asset value before covenants are breached

Customer support

- 50% rent reduction given to c.75% of customers (by rent) until end June
- 15% of discounted rent deferred on case by case basis

Cash collection

- c.70% of rents due (after discounts and deferrals) collected
- Good track record on collections with £34m rent deposits held

Cost control

- Non-essential spend reduced or deferred
- Capex limited with no major schemes on site

Financial review

FY21 outlook



- Q1 impacted by rent discounts
- Potential near-term impact from customer churn and downsizing
- Focus on retaining customers and capturing new demand
- Flexible capex schedule
- Strong balance sheet

OUTLOOK

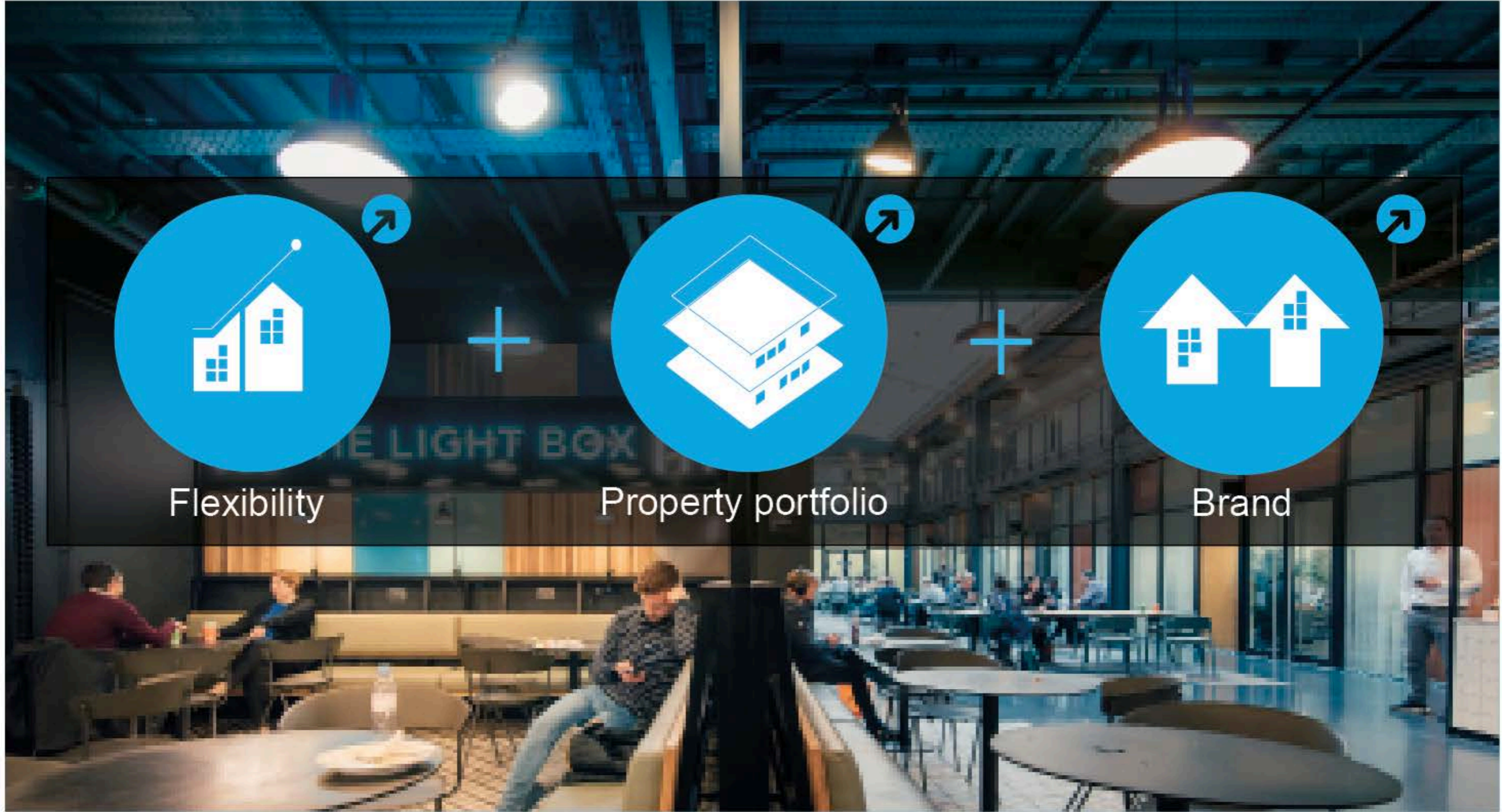
Graham Clemett
CEO

China Works
Vauxhall



Outlook

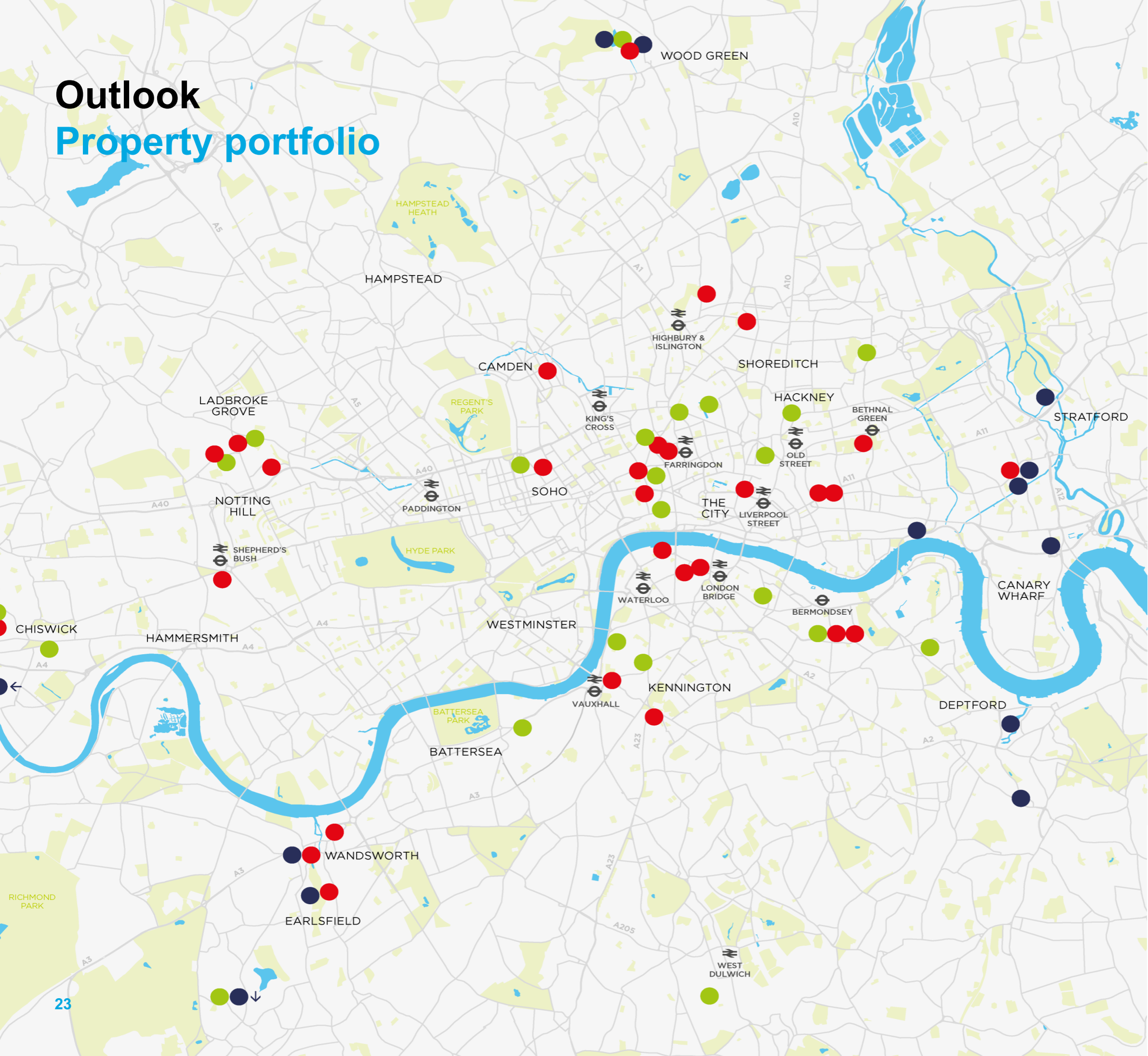
Proven business model



Outlook Flexibility



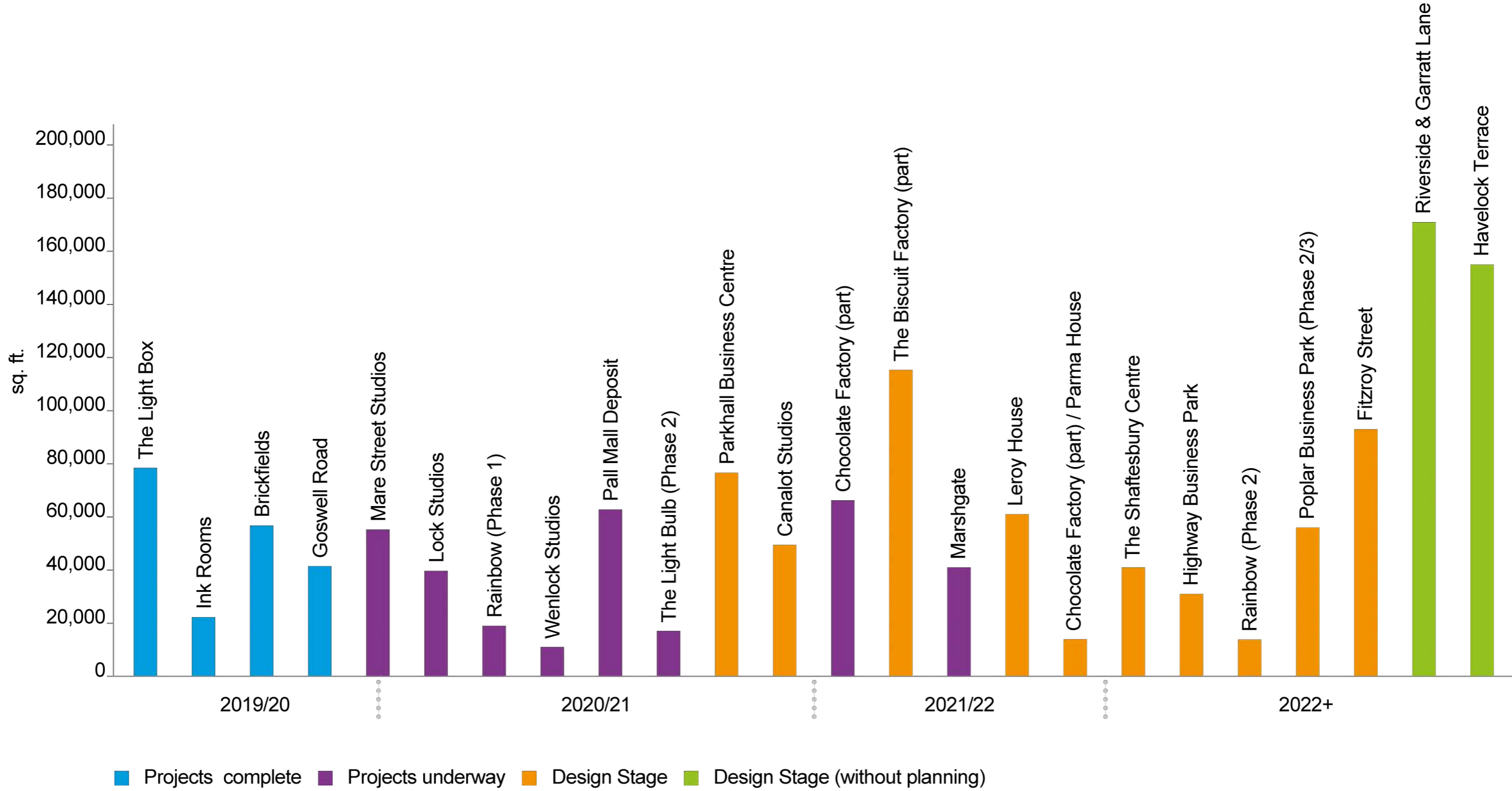
Outlook Property portfolio



- Like-for-like
- Refurbishments
- Redevelopments

Outlook

Project pipeline



Outlook Brand



Our purpose is to give businesses the freedom to grow:



Supported by our well-embedded company values:



Outlook

Doing the Right Thing



Committed to reducing our environmental impact

- Net zero carbon by 2050, including operational and embodied carbon
- Developed Science-Based Targets for scopes 1, 2 & 3 (aligned to a 1.5°C scenario)
- Undertaking embodied carbon assessments for all new developments
- Comprehensive climate change resilience strategy for our portfolio
- Reduction in energy consumption through energy management and efficiency measures
- Integrating ESG principles into our acquisition due diligence
- Mapping UN Sustainable Development Goals against our ESG strategy

Looking after our stakeholders

- Supporting the long-term employment-led regeneration of London
- Working with our customers to reduce their environmental impact
- Promoting health and wellbeing initiatives for our staff and customers
- Engaging with suppliers and contractors to enhance supply chain management
- Support our employees in achieving sustainability goals by facilitating workshops and seminars
- Fundraising for our selected charities

Outlook

An experienced team



Outlook Summary



- Strong trading performance over last year
- Expect subdued level of operational performance in the short term
- Structural shift in the office market towards flexibility will now accelerate more broadly
- Experienced team with deep expertise
- Well placed to navigate the challenges and capitalise on the significant opportunities ahead



QUESTIONS

The Frames
Shoreditch



SUPPLEMENTARY INFORMATION

The Shepherds Building
Shepherd's Bush



Refurbishment projects (1/2)



At March 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*	March 2020 Rent Roll
Completed										
Cannon Wharf	£9m	£1m	–	Jul 2017	–	32,619	–	£20	£0.6m	£0.6m
Barley Mow Centre	£44m	£11m	–	Aug 2017	–	53,186	24,151	£36	£2.5m	£1.8m
The Leather Market	£123m	£9m	–	Mar 2019	5,943	116,668	24,728	£51	£6.8m	£6.4m
Fleet Street	£28m	£2m	–	Aug 2017	–	42,849	–	£53	£2.0m	£1.4m
China Works	£51m	£6m	–	Jun 2018	–	68,808	–	£49	£3.1m	£2.3m
The Frames	£62m	£25m	–	Sep 2018	–	–	52,271	£67	£3.1m	£3.0m
Edinburgh House	£35m	£20m	–	Sep 2018	–	–	65,492	£46	£2.7m	£2.4m
The Light Box	£39m	£6m	–	Apr 2019	–	59,645	18,844	£29	£2.1m	£1.9m
Goswell Road	£36m	£6m	–	Sep 2019	–	41,490	–	£48	£1.8m	£1.4m
Ink Rooms	£29m	£9m	–	Jun 2019	–	–	22,235	£69	£1.4m	£1.3m
Brickfields	£44m	£27m	–	Jun 2019	–	–	56,755	£47	£2.4m	£1.3m
Gray's Inn Road	£35m	£6m	–	Oct 2018	–	36,149	–	£58	£1.9m	£1.9m
	£535m	£128m	£0m		5,943	451,414	264,476		£30.4m	£25.7m

Refurbishment projects (2/2)



At March 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*	March 2020 Rent Roll
Underway										
Wenlock Studios	£20m	£1m	£1m	H2 2020	20,098	11,059	–	£42	£1.2m	£0.9m
Mare Street Studios	£34m	£21m	£1m	H1 2020	–	–	55,287	£44	£2.2m	£0.0m
Pall Mall Deposit	£24m	£11m	£6m	H2 2020	–	49,445	13,363	£36	£2.0m	£0.6m
Rainbow (Phase 1)	£7m	£6m	£0m	H1 2020	–	–	19,005	£22	£0.4m	£0.0m
Chocolate Factory (part)	£18m	£11m	£6m	H1 2021	–	58,833	7,438	£24	£1.4m	£0.7m
	£103m	£50m	£14m		20,098	119,337	95,093		£7.2m	£2.2m
Design Stage										
The Biscuit Factory (part)		£19m	£19m	2021	–	83,811	31,569			
Leroy House#		£15m	£15m	2021	–	46,000	15,000			
Canalot Studios		£3m	£3m	H1 2021	–	49,513	–			
Parkhall Business Centre		£2m	£2m	H2 2020	46,284	76,646	–			
Fitzroy Street		£36m	£36m	2022	–	93,000	–			
The Shaftesbury Centre#		£15m	£15m	2022	–	–	41,000			
		£90m	£90m		46,284	348,970	87,569			
Design Stage (without planning)										
Havelock Terrace		£60m	£60m	2023	–	–	155,000			
		£60m	£60m		–	–	155,000			

Currently in like-for-like category

* Includes rent for unaffected areas at March 2020 rental levels

Redevelopment projects

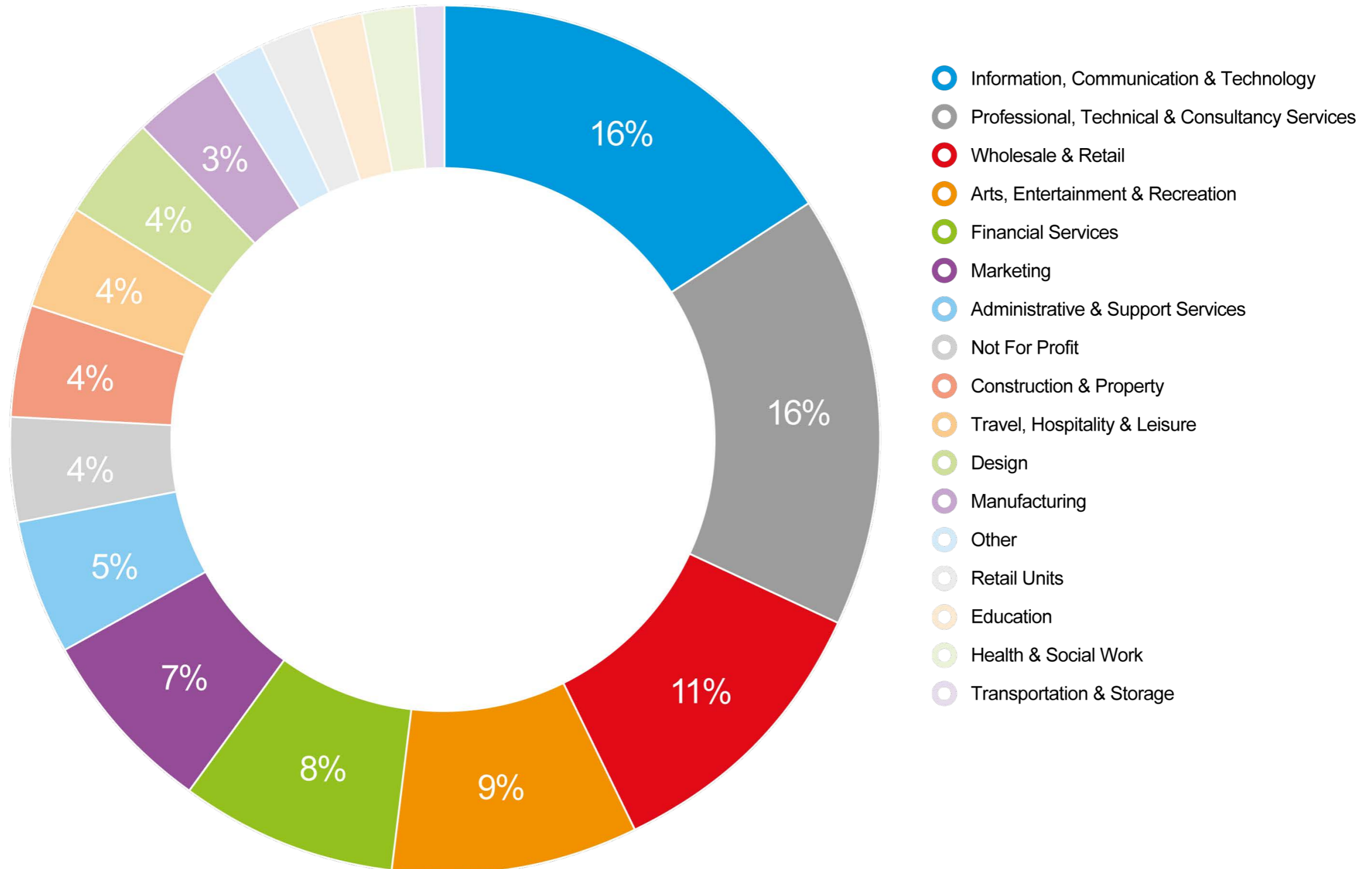


At March 2020	Development partner	Valuation	March 2020 Rent Roll	Commercial Space estimated completion	Residential units no.	Commercial space returned			Other proceeds		
						New Space (sq. ft.)	Estimated ERV	Estimated Rent*	Cash received	Cash to come	Overage to come
Completed											
The Fuel Tank	L&Q	£12m	£0.5m	Jun 2018	148	35,188	£24	£0.8m	£10m	–	n/a
		£12m	£0.5m		148	35,188		£0.8m	£10m	–	–
Underway/Contracted											
Lock Studios	Galliford Try	£13m	–	2020	130	39,714	£25	£0.9m	£6m	–	–
The Light Bulb (Phase 2)	Strawberry Star	£9m	–	2020	77	17,071	£35	£0.6m	£8m	–	–
Marshgate	Anthology	£15m	–	2021	200	41,000	£20	£0.7m	£11m	£4m	n/a
		£37m	–		407	97,785		£2.2m	£25m	£4m	£0m
Design Stage											
Rainbow (Phase 2)			£0.2m	TBD	224	13,808					
Poplar Business Park (Phase 2/3)			£1.0m	2026	222	56,000					
Chocolate Factory (part) / Parma House			£0.4m	2021	230	14,000					
Highway Business Park			£0.3m	2022	117	31,000					
		£77m	£1.9m		793	114,808					
Design Stage (without planning)											
Riverside# / Garratt Lane				2022	402	171,000					
					402	171,000					

* Expected rent at 90% occupancy

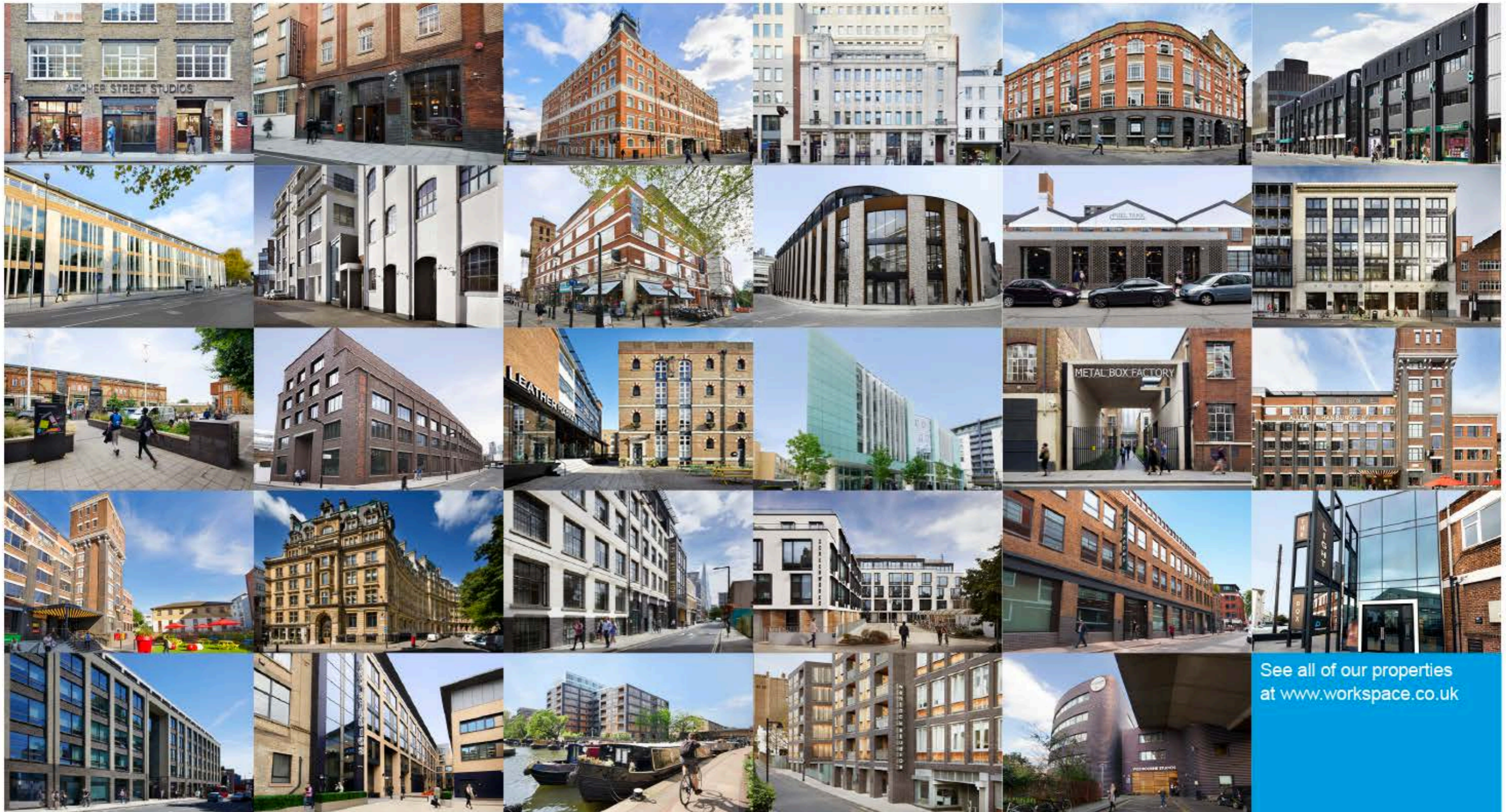
Currently in like-for-like category

Diversified customer base



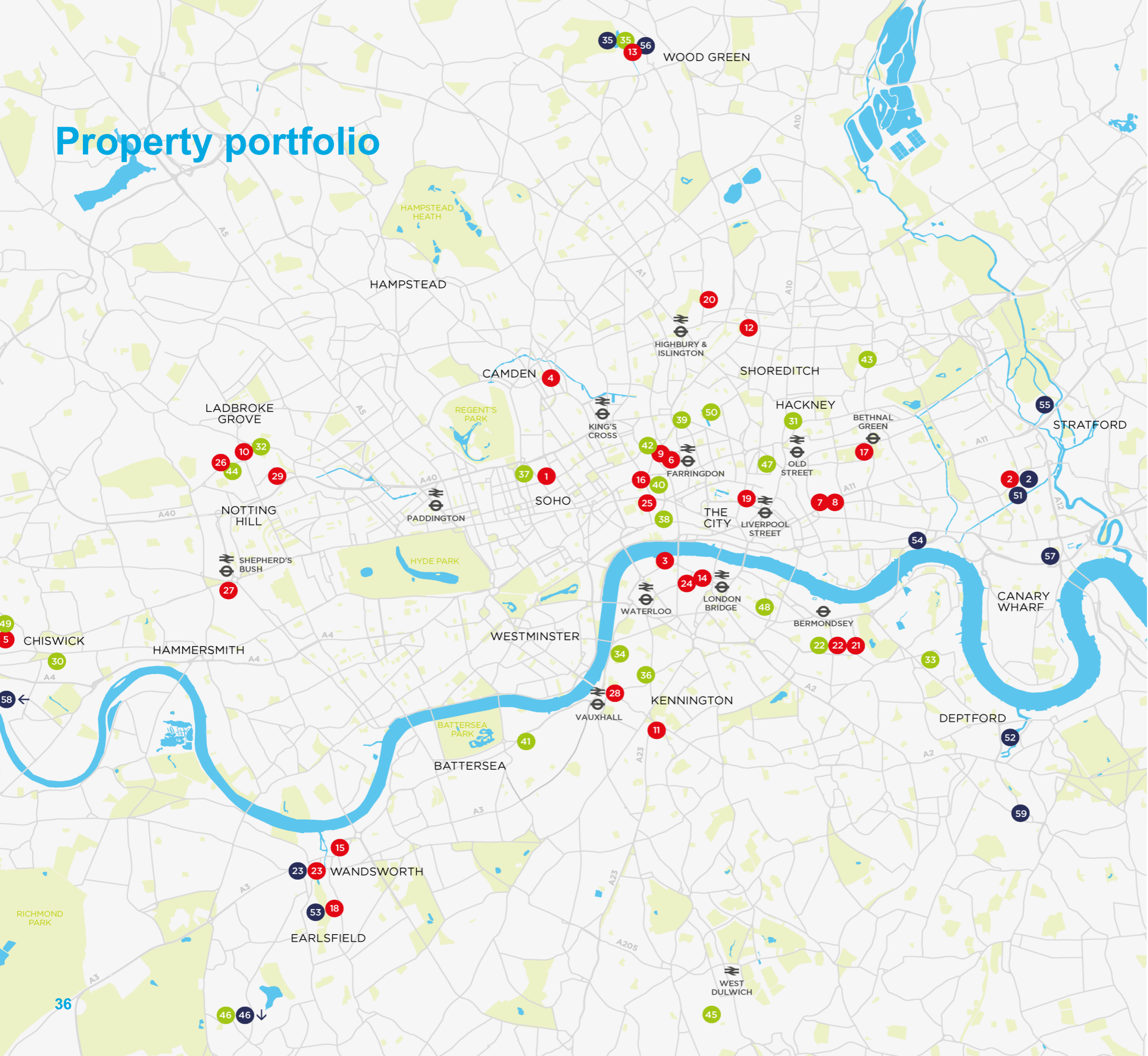
By rent as at 1 May 2020

Distinctive, character properties



See all of our properties
at www.workspace.co.uk

Property portfolio



- Like-for-like
- Refurbishments
- Redevelopments

Property portfolio



Like-for-like

Map Ref	Property Name	Net Lettable Area (sq. ft.)	Net Rent Roll (£)
1	Archer Street Studios	14,984	1,105,571
2	Bow Enterprise Park (part)	14,634	259,809
3	Cargo Works	71,217	3,956,325
4	Centro Buildings	213,049	10,229,030
5	Chiswick Studios	14,254	539,326
6	Clerkenwell Workshops	52,879	2,817,678
7	E1 Studios	40,797	1,225,513
8	East London Works	39,121	1,416,461
9	Exmouth House	58,051	3,137,366
10	Grand Union Studios	63,640	2,163,150
11	Kennington Park	365,080	11,141,848
12	Leroy House	46,802	1,186,924
13	Mallard Place	10,150	122,820
14	Metal Box Factory	106,667	6,736,049
15	Morie Street Studios	21,710	604,587
16	Peer House	10,222	393,313
17	Pill Box	50,409	1,623,135
18	Riverside	101,821	1,786,922
19	Salisbury House	233,637	12,680,643
20	ScreenWorks	63,974	2,339,441

Map Ref	Property Name	Net Lettable Area (sq. ft.)	Net Rent Roll (£)
21	The Biscuit Factory (Cocoa Studios)	39,298	1,133,082
22	The Biscuit Factory (part)	126,244	2,651,616
23	The Light Bulb (part)	52,644	1,652,766
24	The Print Rooms	46,127	2,496,505
25	The Record Hall	57,563	3,112,297
26	The Shaftesbury Centre	12,627	291,772
27	The Shepherds Building	148,690	6,434,999
28	Vox Studios	107,103	4,859,123
29	Westbourne Studios	57,593	2,299,719

Net rent roll figures as at 31 March 2020

Property portfolio



Refurbishments

Map Ref	Property Name	Net Lettable Area (sq. ft.)	Net Rent Roll (£)
30	Barley Mow Centre	77,337	1,828,136
31	Brickfields	56,755	1,301,251
32	Canalot Studios	49,513	1,459,919
33	Cannon Wharf	32,619	564,668
34	China Works	68,808	2,293,830
35	Chocolate Factory (part)	57,586	730,008
36	Edinburgh House	65,492	2,361,774
37	Fitzroy Street	92,669	4,855,410
38	160 Fleet Street	42,849	1,396,036
39	338 Goswell Road	41,490	1,362,030
40	60 Gray's Inn Road	36,138	1,859,151
41	Havelock Terrace	58,164	1,210,281
42	Ink Rooms	22,235	1,261,082
43	Mare Street Studios	55,287	–
44	Pall Mall Deposit	47,697	562,724
45	Parkhall Business Centre	122,930	1,826,439
46	Rainbow (part)	0	0
22	The Biscuit Factory (part)	88,080	1,686,182
47	The Frames	52,271	3,026,145
48	The Leather Market	147,339	6,372,404
49	The Light Box	78,489	1,922,105
50	Wenlock Studios	31,157	909,346

Redevelopments

Map Ref	Property Name	Net Lettable Area (sq. ft.)	Net Rent Roll (£)
51	Bow Office Exchange	0	0
35	Chocolate Factory (part)	55,215	219,226
52	Fuel Tank	35,188	538,949
53	Garratt Lane	43,000	688,000
54	Highway Business Park	19,786	291,149
2	Lock Studios	–	–
55	Marshgate Business Centre	0	0
56	Parma House	34,984	176,707
57	Poplar Business Park	65,178	983,624
58	Q West	54,961	538,088
46	Rainbow (part)	111,141	179,344
23	The Light Bulb (part)	0	0
59	Thurston Road	0	0

Net rent roll figures as at 31 March 2020

Disclaimer



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