



London, 7 April 2020

## WORKSPACE® GROUP PLC

### UPDATE ON THE IMPACT OF THE CORONAVIRUS PANDEMIC

Workspace Group PLC (“Workspace” or the “Company”), one of London’s leading providers of flexible office space, today provides an update on the impact of the Coronavirus pandemic on its business.

#### Summary

- Trading profit for the year to 31 March 2020 expected to be in line with market expectations.
- Centres remain open to support essential business activity in line with Government guidelines.
- Approximately 50 per cent. of rents due at end March 2020 received in cash to date. Customer discussions on rent deferrals continuing on a case by case basis.
- Cost reduction measures implemented and capital expenditure minimised.
- Strong financial position with c.£70m cash, £96m in undrawn revolving credit facilities, and pro forma LTV<sup>1</sup> of 21 per cent. as at 31 March 2020, with good headroom on covenants.
- In line with usual practice, the Board will consider any final dividend payment in the context of the full year results and the prevailing circumstances at the time.
- Well-positioned for a market recovery, due to our leading market position and attractive, flexible customer offer.

Graham Clemett, Chief Executive Officer, commented:

“In the face of the systemic risk of the Coronavirus pandemic, the Board is focused on balancing the interests of stakeholders and shareholders and the long-term sustainability of our business. We are making every effort to support our employees, suppliers and customers in these difficult times. In particular, we recognise that our continued success depends on the ability of customers to emerge from the Coronavirus pandemic in good financial shape, and we are working with them to achieve this.

“We are taking prudent steps to mitigate the impact of rent deferrals by implementing cost reduction measures and minimising capital expenditure. We have a strong balance sheet, good access to liquidity and significant headroom against our debt covenants. Our model of freehold ownership of our properties gives us the flexibility and control to respond quickly to developments in the current uncertain environment.

“Workspace is a strong and resilient business, with a leading market position in the London flexible office market. The swift actions we have taken will ensure that we are well-positioned for the eventual market recovery.”

#### Current Trading

We saw strong levels of customer enquiries and lettings in the fourth quarter and expect our trading profit for the financial year ended 31 March 2020 to be in line with market expectations. The Government restrictions on public movements began to impact enquiries and lettings in late March, and we have seen a material slowdown in activity since then.

#### Financial position

Our financial position remains strong as at 31 March 2020, with c.£70m in cash, undrawn revolving credit facilities of £96m and no material debt maturities until June 2022.

As at 31 March 2020, our pro forma LTV ratio<sup>1</sup> was 21 per cent., with substantial headroom to all our financial covenants, which are tested on a rolling twelve-month basis. We estimate that we could withstand a reduction in net rental income of 61 per cent.<sup>2</sup> or a fall in asset valuation of 63 per cent.<sup>2</sup> before any debt covenants are breached.

Our model of freehold property ownership gives us a significant degree of operating leverage and control over costs. We have therefore been able to act swiftly to implement cost reduction measures



and minimise capital expenditure. There are no major projects underway, and we have postponed the planned launch of our two new centres: Mare Street Studios, Hackney and Lock Studios, Bow.

### **Customer Engagement**

Our buildings remain open for all customers who still require access, but with a significantly reduced service, in line with Government guidelines. A number of our customers are key workers who continue to provide essential services during the lock-down.

Our customer base comprises over 3,000 businesses, highly diversified both by size and by sector, most of whom pay rent on a monthly basis. We have received a large number of requests for various forms of rent relief for the duration of the current Government restrictions on movement. Accordingly, we expect a significantly lower level of cash rental income in the short term, with approximately 50% of monthly and quarterly rent due at the end of March 2020 received in cash to date. We want to thank our teams who are working tirelessly to address individual customer requests, and we hope to agree appropriate solutions with customers in due course.

### **Outlook and Dividend**

The uncertainty caused by the Coronavirus pandemic and the related Government restrictions on movement make it difficult to provide financial guidance in the short term. In light of this uncertainty, we will reflect, at the appropriate time, with the best available information, whether it is appropriate to recommend a final dividend. We will provide a further update on trading and the business environment at the time of our Preliminary Results Announcement in early June, subject to any further guidance from the FCA and FRC.

<sup>1</sup>LTV ("Loan to Value") based on net debt at 31 March 2020 compared to valuation as at 30 September 2019, being the most recent valuation date, as adjusted for subsequent disposals and capital expenditure.

<sup>2</sup>As at most recent covenant testing date of 30 September 2019.

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### **Notes to Editors**

#### **About Workspace Group PLC:**

Established in 1987, and listed on the London Stock Exchange since 1993, Workspace owns and manages some 4 million sq. ft. of business space in London. We are home to thousands of businesses, including fast growing and established brands across a wide range of sectors.

Workspace is geared towards helping businesses perform at their very best. We provide inspiring, flexible workspaces in dynamic London locations.

Workspace (WKP) is a FTSE 250 listed Real Estate Investment Trust (REIT) and a member of the European Public Real Estate Association (EPRA).

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For more information on Workspace, please visit [www.workspace.co.uk](http://www.workspace.co.uk).