

# Recommended acquisition of McKay Securities

Accelerating our growth plans

2 March 2022

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# Transaction summary

## Recommended £272m offer for McKay Securities (“McKay”) at 297p per share<sup>1</sup>

- Offer comprised of:
  - 0.115<sup>1</sup> Workspace shares – c.£81m
  - 209p in cash – c.£191m
- 33.7%<sup>2</sup> premium to McKay closing price on 1 March 2022
- 32.0% premium to the 3-month VWAP on 1 March 2022
- 12.3% discount to McKay rolled-forward NTA<sup>3</sup>
- 8.8% discount to McKay rolled-forward adjusted NTA<sup>4</sup>

## McKay Board and shareholder support

- Unanimous McKay Board approval
- 37% of irrevocables and letters of intent received

## Timetable

- 2 March 2022 – Firm offer Rule 2.7 announcement
- Within 28 days – Posting of Scheme document
- Late April – Court meeting and EGM
- During May – Anticipated completion

## Workspace updated financial information

- Property valuation of £2,402m as at 31 January 2022, underlying increase of 3.2% in the four months
- Rolled-forward NTA per share up 4.4% to £9.69 as at 31 January 2022

### Notes

Acquisition to be effected by means of a Scheme of Arrangement

Workspace post acquisition will be owned 5% by McKay shareholders and 95% by Workspace current shareholders

<sup>1</sup> Based on Workspace closing price of £7.69 as at 1 March 2022

<sup>2</sup> Based on McKay closing price of £2.23 as at 1 March 2022

<sup>3</sup> Based on McKay's rolled-forward NTA per share as at 31 January 2022 of £3.39

<sup>4</sup> Based on McKay's rolled-forward adjusted NTA per share as at 31 January 2022 of £3.26

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# Attractive opportunity

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## Enhanced growth potential

- Increases our ability to capture strong demand for our flexible offer in London
- Selectively extends our reach into South-East market and adds attractive light industrial portfolio
- Opportunity to draw on our long track record of managing and maximising value from office and light industrial assets

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## Increased scale and diversity

- Larger, more resilient company with enhanced income and capital growth opportunity
- Gross property assets of £2.9 billion, comprising 84% London Office, 5% South-East Office, 10% Light Industrial (and 1% other)<sup>1</sup>

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## Strong operational benefits

Apply most appropriate business plan to each McKay asset to deliver best returns. This includes:

- Adapt to our business centre model
- Adopt our flexible lease offer
- Apply our proven operating model and asset management expertise
- Take advantage of attractive opportunities to recycle capital into other assets

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## Financially attractive

- Aligned with our focus on generating long-term sustainable income
- Expected to be earnings accretive from year two and deliver enhanced earnings and dividend growth over the medium term
- Active management of the portfolio to maintain conservative level of leverage
- Unlock value from corporate and operational synergies



# McKay – overview

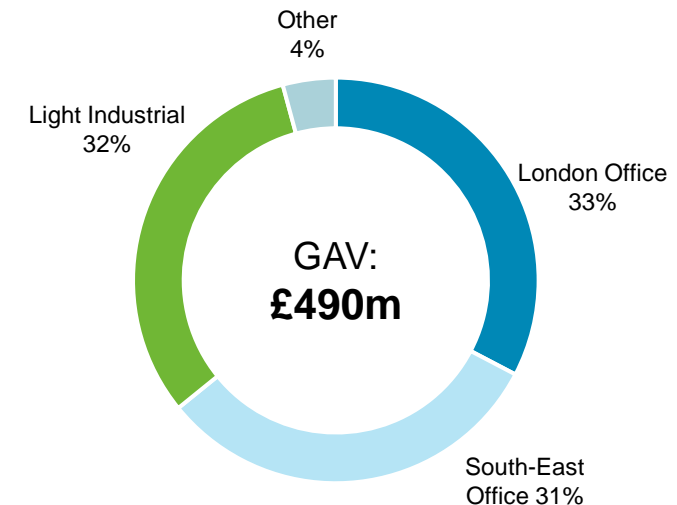
## London & South-East Office focused REIT

- Specialists in the development, refurbishment and management of office, industrial and logistics assets
- 18 full-time employees including three Executive Directors<sup>2</sup>
- Rent roll of £27.6m<sup>2</sup> pa, ERV £32.7m<sup>2</sup> pa
- Occupancy at 85.7%<sup>2</sup>
- Net Rental Income £21.6m<sup>3</sup>
- Operating Profit after Interest £9.6m<sup>3</sup>
- GRESB 4-star rating
- Net zero carbon pathway

## Portfolio mix<sup>1</sup>

### Portfolio of 34 assets valued at £490m:

- 7 London Offices valued at £160m
- 14 South-East Offices valued at £154m
- 9 Light Industrial assets valued at £155m
- 4 Other assets valued at £21m



#### Notes

<sup>1</sup> McKay portfolio valuation as at 31 January 2022, per Workspace categorisation

<sup>2</sup> As at 31 January 2022

<sup>3</sup> FY21 results as at 31 March 2021

# McKay – property portfolio

## London Offices



Portsoken House,  
Minories  
(50,000 sq. ft.)



Swan Court,  
Wimbledon  
(59,000 sq. ft.)



The Mille,  
Brentford  
(97,000 sq. ft.)

## South-East Offices



Greyfriars Road,  
Reading  
(38,000 sq. ft.)



Prospero House,  
Redhill  
(50,000 sq. ft.)



Pegasus Place,  
Crawley  
(51,000 sq. ft.)

## Light Industrial



Theale Logistics Park,  
Theale  
(134,000 sq. ft.)

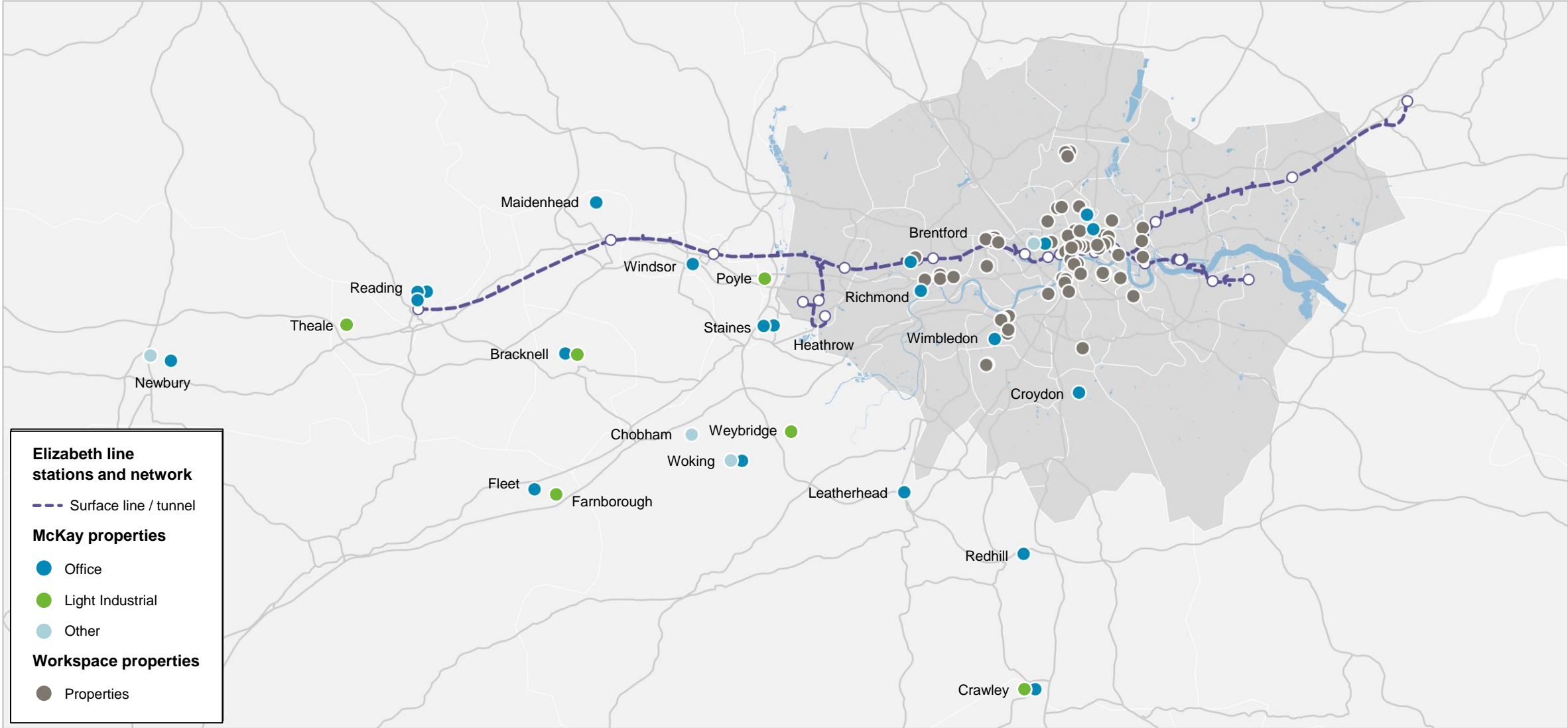


Poyle Trading Estate,  
Heathrow  
(74,000 sq. ft.)



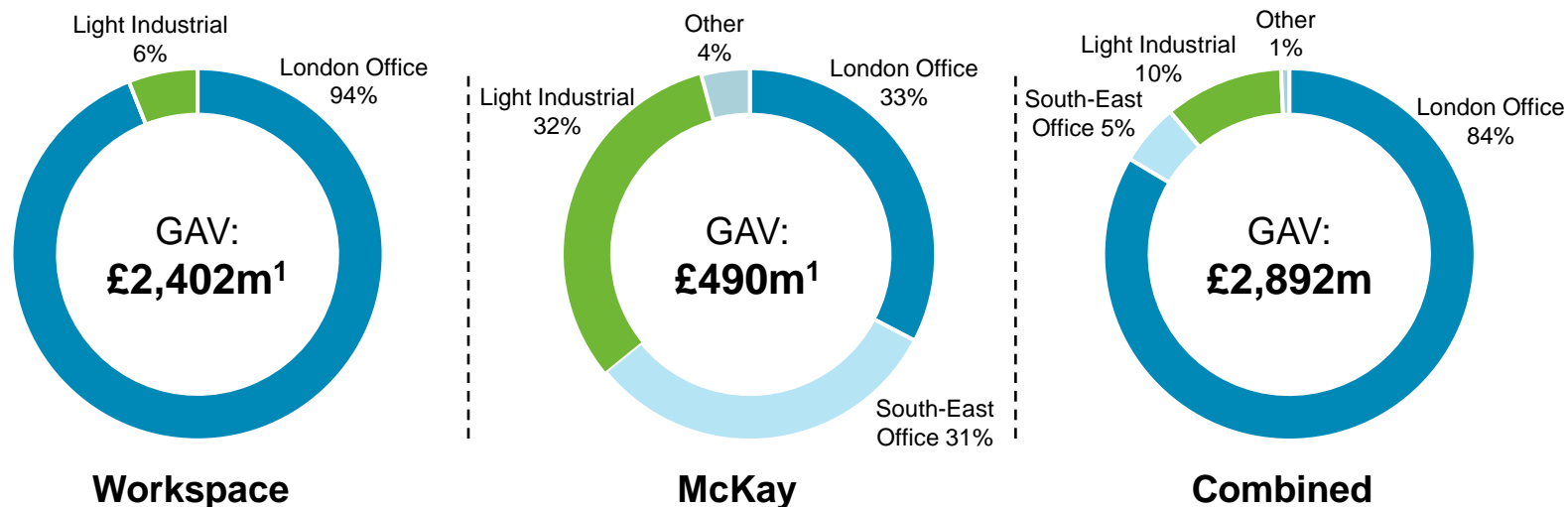
Oakwood Trading Park,  
Crawley  
(52,000 sq. ft.)

# Workspace property footprint post-transaction



\* Excludes Folkstone (5 Acre Estate 61,000 sq. ft. and 3 Acre Estate, 44,000 sq. ft.) and Banbury (Lower Cherwell Street Industrial Estate 40,000 sq. ft.)

# Proforma business shape post-transaction



<b>Lettable floor area</b>	4.0m sq. ft. <sup>4</sup>	1.5m sq. ft. <sup>2</sup>	5.5m sq. ft.
<b>Rent roll</b>	£107.2m <sup>4</sup>	£27.6m <sup>2</sup>	£134.8m
<b>Full-time employees<sup>2</sup></b>	255	18	273
<b>Admin costs<sup>3</sup></b>	£19.0m	£5.7m	£24.7m
<b>Net debt<sup>2</sup></b>	£573m	£172m	£936m <sup>6</sup>
<b>Loan to value<sup>5</sup></b>	24%	35%	32% <sup>6</sup>

## Notes

<sup>1</sup> Portfolio valuations as at 31 January 2022

<sup>2</sup> As at 31 January 2022

<sup>3</sup> FY21 results as at 31 March 2021

<sup>4</sup> As at 31 December 2021

<sup>5</sup> Loan to value calculated based on 31 January 2022 Net Debt and 31 January 2022 GAV

<sup>6</sup> Including impact of transaction financing



# Financing considerations

## Workspace facilities

	£m
Private placements	300
Green bond	300
Revolving credit facility	200
Acquisition facility	200
	<b>1,000</b>
Net debt <sup>1</sup>	(573)
Available facilities	427

## McKay facilities

	£m
Revolving credit facility	180
Aviva term debt	65
	<b>245</b>
Net debt <sup>1</sup>	(172)
Available facilities	73

- Cash consideration of c.£191m to acquire McKay
- 18 month committed acquisition facility of £200m in place
- Significant commonality between Workspace and McKay bank syndicates
- Commitment to maintaining strong credit metrics with LTV below 30%
- Multiple refinancing options with proven access to debt capital markets and potential for asset sales

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# Conclusion

1

**Enhanced growth potential:** Increases our ability to capture strong demand for our flexible offering in London, selectively extends our reach into the South-East and adds an attractive portfolio of light industrial assets

2

**Increased scale and diversity:** Acquisition provides the platform to become a larger, more resilient company with enhanced income and capital growth opportunity

3

**Strong operational benefits:** Opportunity to deliver significant value from applying our proven operating model, flexible lease offer and active asset management expertise to McKay's portfolio

4

**Financially attractive:** Aligned with our focus on generating long-term sustainable income