



Workspace Group

# Workspace Group PLC





Workspace Group

# **Preliminary Results for the Year ended 31 March 2003**

# Headline Results



Workspace Group

• Trading pre-tax profits	£12.5m	Up 9.1%
• Trading EPS	60.1p	Up 13.8%
• Profits before tax	£13.4m	Up 11.5%
• Valuation surplus	£19.7m	4.1%
• Net Asset Value	£15.10	Up 11.6%
• Annual rent roll	£35.9m	Up 21.5%
• Total Property Valuation	£505.5m	Up 21.9%
• Gearing	98%	
• Dividend	28.1p	Up 10.2%

# The Business – A Simple Model



## To achieve profit and capital growth from:

- Providing workspace to SMEs
- Investing in properties with potential
  - Income growth
  - Capital growth
  - Alternative use
- Increasing scale of portfolio, spreading overheads and developing the brand
- The right financial platform

# Our Business - A Reminder



Workspace Group

**“ We provide affordable, flexible space for new and small businesses in London and the South East”**

- 3,600 customers over 92 estates with 5.5m sq. ft
- 6,100 enquiries a year; market leading brand in fragmented market
- A simple product offer
- Superior service from in-house management
- Customer focused

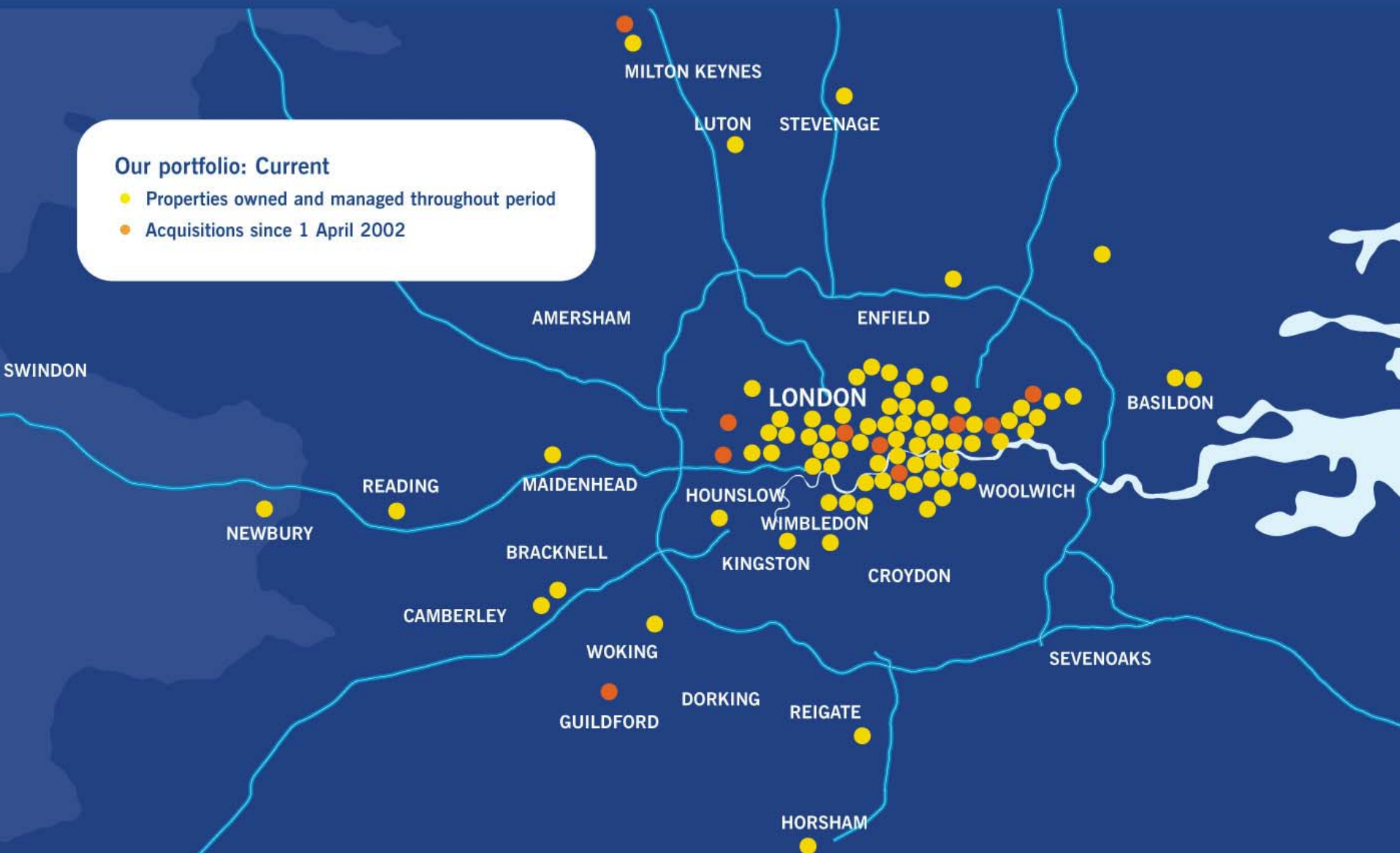


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# Workspace portfolio 2003

## Our portfolio: Current

- Properties owned and managed throughout period
- Acquisitions since 1 April 2002



# Priorities and performance



Workspace Group

## Priorities

Maintain high occupancy levels and rental growth

£50m of acquisitions

Achieve at least 2 planning consents

Extend customer services

Strengthen brand awareness

Increase profit, EPS, dividends, NAV

## Performance

**Occupancy 87% - 89%**

**Rental growth 7.4%**

**Acquisitions £60.4m**

**Disposals £5.7m**

**Bridport (3 Mills), Leathermarket and Barley Mow. In hand – Redhill and Thurston Road**

**Vylan connectivity completed: 17 estates; 1.7m sq. ft; VOIP under trial**

**Marketing strengthened: Links with Kingston University. 6,171 enquiries (4,792) 819 lettings (738)**

**Profit up 9.1%, Trading EPS up 13.8%, dividend up 10.2%, and NAV up 11.6%**

# Marketing in the last year



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- 6,171 Enquiries (4,792)
- 819 Lettings (738)
- Core Occupancy 88.7%
- Overall Occupancy 85.6%
- Average Rent at Year End £8.21
- Like-for-Like Increase in Rent 7.4%  
(£7.40 rising to £7.95)

# Acquisitions & Disposals



## Acquisitions

- Darin Court, Milton Keynes
- Stratford Office Village, E15
- Enterprise House, SE1
- Farnborough Business Centre
- Clerkenwell Workshops, EC1
- Alpine Way, E6
- Brook Road
- Canalot Studios
- Charles House, Southall
- Aladdin Business Centre, Greenford
- Seedbed Centre, Romford

**£60.4m**

**£7m ERV**

## Disposals

- Brook Road
- Lea Trading Estate
- Bridport, 3 Mills

**£5.65m**

**£2.8m profit**

# 2003 Results : P & L Account



Workspace Group

	Trading Operations	Other	Total	2002
<b>Turnover</b>	45.0	-	45.0	39.1
Rent payable and direct costs	13.0	-	13.0	11.2
Administrative expenses	<u>6.5</u>	<u>-</u>	<u>6.5</u>	<u>6.0</u>
<b>Operating Profit</b>	25.5	-	25.5	21.9
Surplus on disposal of investment properties	-	2.8	2.8	0.6
Net interest payable	<u>(13.0)</u>	<u>(1.9)</u>	<u>(14.9)</u>	<u>(10.5)</u>
<b>Profit before tax</b>	12.5	0.9	13.4	12.0
Tax	<u>(2.8)</u>	<u>(0.2)</u>	<u>(3.0)</u>	<u>(3.1)</u>
<b>Profit after tax</b>	9.7	0.7	10.4	9.0
	=====	=====	=====	=====
Basic earnings per share	60.1p	4.2p	64.3p	55.4p
Diluted earnings per share	58.8p	4.0p	62.8p	54.2p

# 2003 Results: Balance Sheet



Workspace Group

	31.3.2003	31.3.2002
	£m	£m
Investment properties	505.5	414.7
Other Assets	<u>17.5</u>	<u>11.2</u>
	523.0	425.9
Creditors (excluding borrowings)	(28.8)	(27.6)
Funding: Short Term borrowings	-	(3.4)
Long Term borrowing	(246.0)	(175.7)
Investments	3.5	5.4
Deferred Tax Provision	<u>(4.1)</u>	<u>(3.3)</u>
Net Worth	247.6	221.3
	=====	=====
NAV Per Share	£15.10	£13.53
Net Borrowings	242.5	173.7
Gearing	98%	78%

**Investment plan £60m**  
**Projected gearing 122% on net worth at 31/03/2003**  
**Drawable facilities £75m**

# Key Elements on Valuation



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- Like-for-like rents up 7.4% ERV up 18.6%
- Capital increase 80% rent, 20% yield
- ERV £50.1m, achievable ERV = £45.1m compared with £35.9m rent roll
- Net initial yield 7.3%, reversionary yield 9.9% equivalent yield 8.7%

# IPD Performance



Workspace Group

<b>Total Return (p.a.)</b>	<b>One Year</b>	<b>Three Years</b>	<b>Five Years</b>	<b>Nine Years</b>
Workspace Group	12.1%	16.9%	19.5%	17.9%
IPD All Fund	8.7%	8.4%	10.1%	10.2%
Workspace Group Percentile Rank	20	Top	Top	Top

# Long Term Performance



Workspace Group

	<b>31 March 2003</b>	<b>31 March 1994</b>	<b>Five Year Growth Compound</b>	<b>Ten Year Growth Compound</b>
Earnings per share	64.3p	12.5p	15.9%	14.8%
Dividends per share	28.1p	7.0p	10.6%	16.7%
Net asset per share	£15.10	£3.22	23.6%	15.5%
Number of Estates	92	34		
Lettable Floorspace (sq. ft)	5.5m	1.4m		
Rent Roll of Occupied Units	£35.91m	£6.59m		

# Benchmarks



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<b>Internal Benchmark comparison shows:</b> Performance Measures	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
Turnover per member of staff (£000)	314	294	272	277	277
Year-end investment in property per member of staff (£000)	3,261	2,984	2,581	2,340	2,268
Administration costs as a percentage of revenue	14.6%	15.3%	13.8%	14.5%	15.1%
Total return on equity	15.0%	20.6%	40.7%	36.9%	36.3%

# Looking Forward: The same business model



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- Generate rental growth (cash)
- Improvements to portfolio
- Disposals / Added Value Schemes
- Brand leader / landlord of choice
- Regeneration focus

## **Business Model as stated in September 2001:**

- Double in 5 years, 18 months - 43% achieved

# Demand: Outlook for SMEs and London Economy



- Recent SME research:  
Kingston University
- London's Economy Today:  
The GLA View
- Our View

# Acquisitions and Disposals



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## Acquisitions

- Overall list £500m: 200 properties
- During year £50m to £60m

## Disposals

- Hooley Lane
- Kingsland Viaduct
- Payne Road
- Thurston Road

# Long Term: Regeneration and Marketing



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- The London Plan and areas of change
- The Eastern Corridor/Olympic Bid
- The Marketing Database

# Added Value Schemes



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2003/04	Hooley Lane; Thurston
2004/05	Wharf Road; Westminster; Barley Mow
2005/06	Clerkenwell; Parkhall
2006/07	Whitechapel; Aberdeen Centre
<b>Targets:</b>	Grow rents Capital profits



- To increase profits, earnings per share, dividends per share, NAV per share

## How?

- Maintain high occupancy and increase rents
- Acquire over £50m property
- Extend marketing

## BUILDING OUR BRAND

***“The number one choice for any small business in London”***



Workspace Group

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