

ESP

Interim Results Presentation

for the Half Year Ended
30th June 2021

12th August 2021



ESP

Duncan Garrood

Chief Executive Officer



Agenda

Introduction

Duncan Garrood

Financial Performance

Lynne Fennah

Business Update

Duncan Garrood

Q&A

Solid progress in driving 2021 performance

Revenue occupancy at 65% for AY 20/21

Supportive customer approach taken during pandemic, enhancing brand reputation

Good progress on disposals, and refurbishments underway

New revenue management system working well enabling dynamic pricing and cost savings

ESG roadmap with clear priorities for the future

Resuming dividends in Q4 with payment of 2.5p covering 2019 and 2020

Market continues to grow driven by strong demand

Total Undergraduate Applications

▲ 4%

Applications from UK are up 7% year on year

 ▲ 7%

International Non- EU Applications are up 14% year on year

▲ 14%

Applications from China are up 17% year on year

 ▲ 17%

Applications from the USA are up 53% year on year

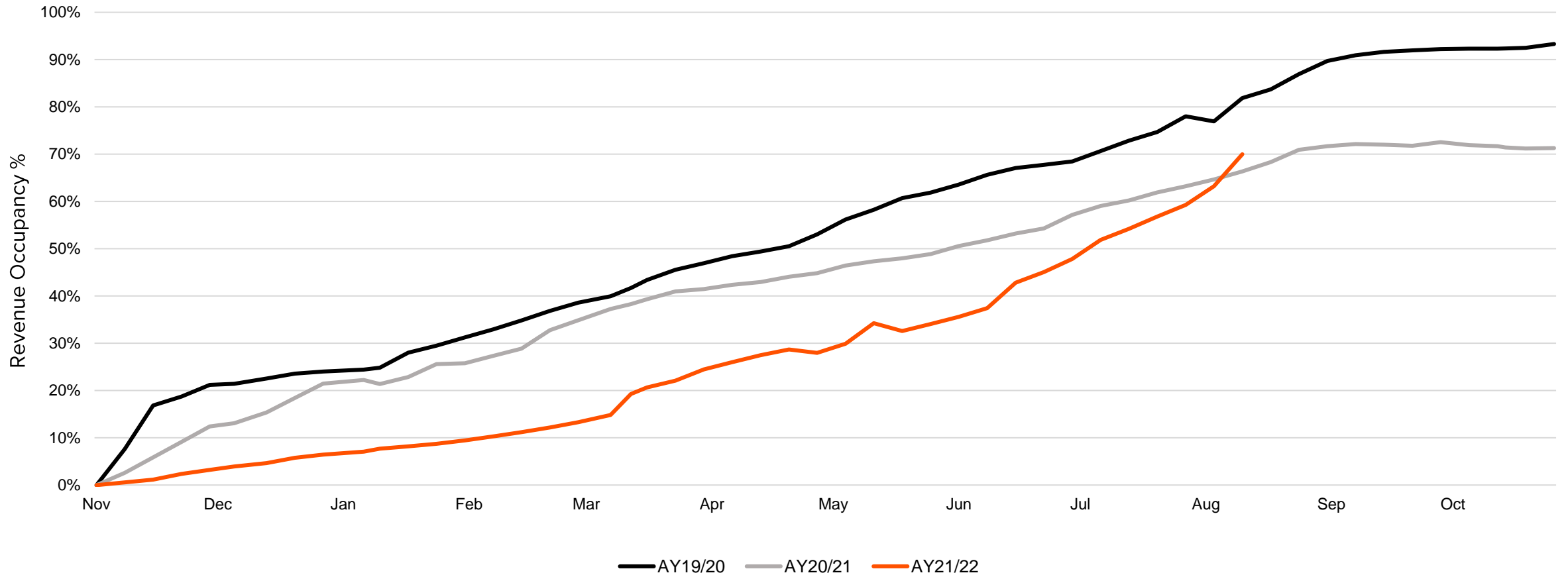
 ▲ 53%

Applications from India are up 30% year on year

 ▲ 30%

ONS estimates number of UK 18 year olds to grow 25% by 2030 adding almost 1 million more over the decade

Revenue Occupancy | 3 Year Comparison



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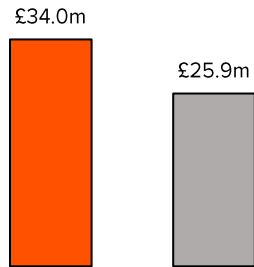
Lynne Fennah

Chief Financial &
Operating Officer

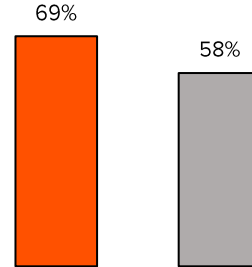


Financial headlines | H1 2021

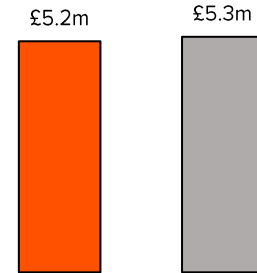
Revenue



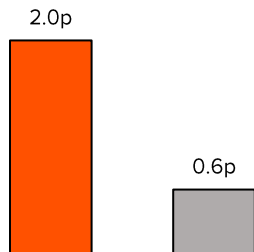
Gross Margin



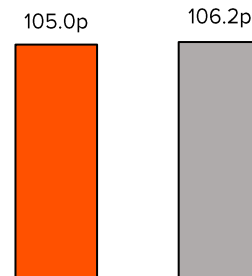
Administrative Expenses



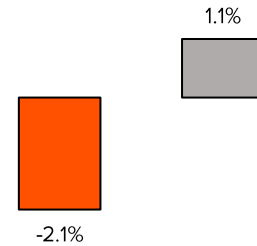
Adjusted Basic EPS



EPRA NTA per share



Total Return



Key: ■ H1 2020 ■ H1 2021

Income statement | H1 2021

	Six Months Ended 30 June 2021 £'000	Six Months Ended 30 June 2020 £'000	FY 21 vs. FY 20 % Change
Revenue	25,921	34,014	(24%)
Property Expenses	(10,925)	(10,599)	(3%)
Gross Profit	14,996	23,415	(36%)
Gross Margin %	57.9%	68.8%	(16%)
Administrative and Other Expenses	(5,257)	(5,199)	(1%)
Gain on Disposal of Investment Property	1,651	-	-
Changes in Fair Value of Investment Property	1,807	(26,202)	107%
Operating Profit/(Loss)	13,197	(7,986)	265%
Net Finance Expense	(6,198)	(6,423)	4%
Profit/(Loss) before Taxation	6,999	(14,409)	149%
Dividends Paid	-	(7,540)	-
Dividend Cover ⁽¹⁾	-	159%	-
Earnings pence per share – Basic	1.16	(2.39)	33%

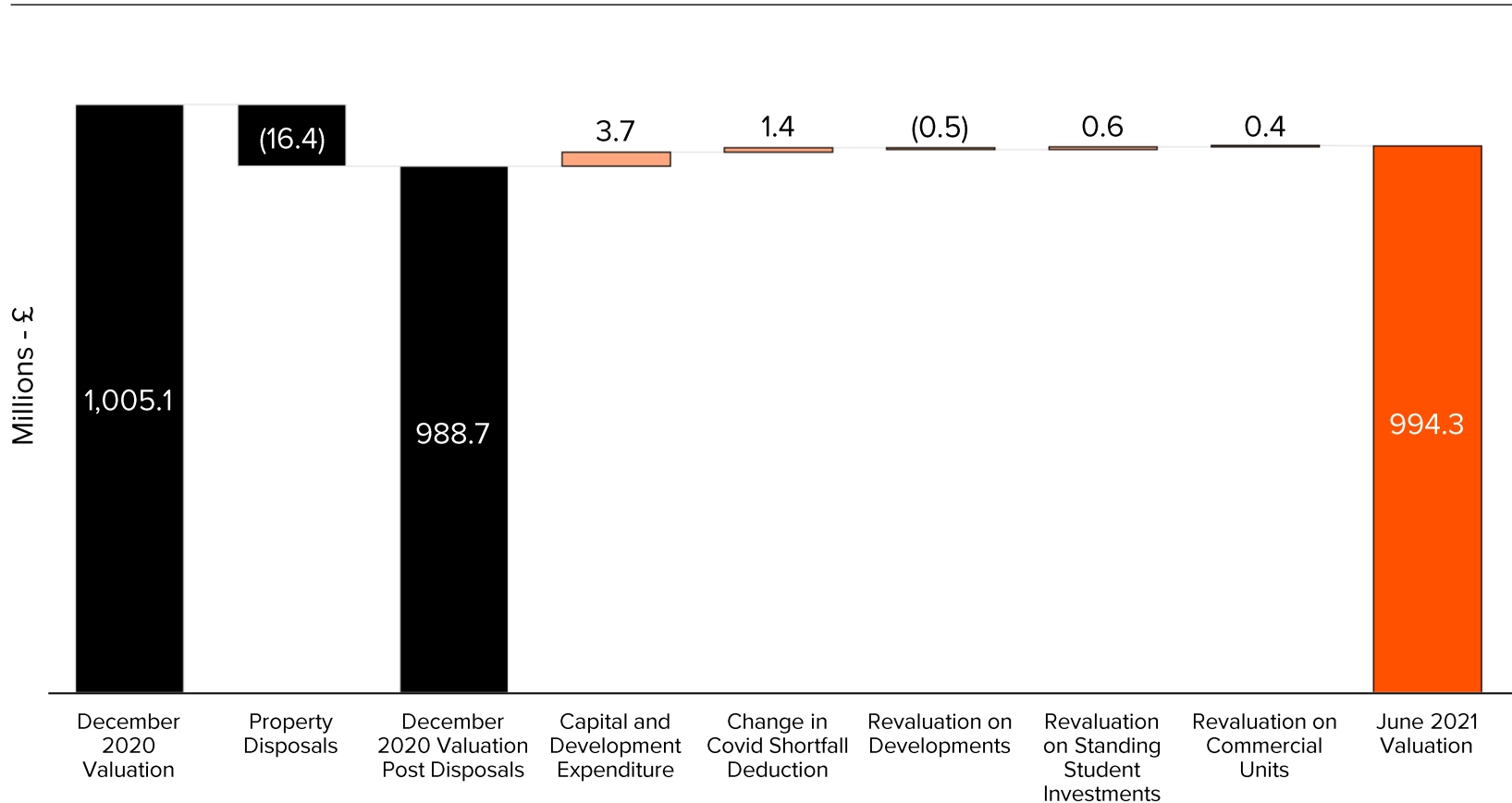
Like for like rental growth:

AY 20/21 to date

1.3%

(1) Calculated as adjusted earnings per share as a percentage of dividends declared per share. This metric is affected by the decision of the Board to suspend dividend payments from March 2020.

Valuation movement



CBRE assumes £20m Covid deduction which includes:

AY 20/21 – difference between 3 months of normal income level less predicted income

AY 21/22 – assumed lower levels of international students and income reductions of 5% - 30% on each asset

Valuation Average Net Initial Yield

5.59% (Dec 2020 **5.61%**)

Financial position | H1 2021

	30 June 2021 £'000	31 December 2020 £'000
Property, plant and equipment	177	135
Intangible assets	1,011	1,054
Investment property	994,297	1,005,120
Trade and other receivables	7,161	14,510
Cash and equivalents including fixed term deposits	32,160	33,927
Total Assets	1,034,806	1,054,746
Trade and other payables	15,878	15,527
Deferred income	8,007	20,676
Borrowings	370,508	385,266
Total Liabilities	394,393	421,469
Net Assets	640,413	633,277
EPRA Net Tangible Asset Value per share (basic)	106.17	105.00

Liquidity and debt

Investment Debt	Total Facility £m	Drawn £m	Expiry Date
Lloyds RCF	90.0	45.0	Nov-2022
FCB RCF	20.0	20.0	Mar-2023
Canada Life	71.1	71.1	Mar-2024
AIB	32.8	32.8	Oct-2024
Barings	120.0	120.0	Apr-2028
Scottish Widows	86.1	86.1	Dec-2028
Total	420.0	375.0	

Development Debt

NatWest	22.5	-	Mar-2023
Total	22.5	-	

Weighted average
interest payable

2.9%⁽¹⁾

Loan to value

34.5%⁽²⁾

Undrawn facilities and cash
At 31st July 2021

£74.5m

Weighted average term

5.4 years⁽¹⁾

Uncharged assets

£45m

(1) This measure is calculated for investment debt only.

(2) Total drawn borrowings, net of cash and fixed term deposits, as a percentage of Gross Asset Value.

Continuous business improvement

Revenue management system now in use for AY 21/22

- ✓ Receivables collection in-house from September 2021
- ✓ Enables swift and efficient price changes
- ✓ Improves end to end customer journey
- ✓ Delivers annualised cost savings of c£1.5m p.a. from September 2021 onwards

Increased focus on Environment, Social and Governance

- ✓ Board level ESG Committee
- ✓ Three internal working groups
- ✓ Benchmarking exercise and stakeholder interviews complete
- ✓ Four key priorities identified

ESG strategy 2021 to 2025 | Key priorities

Health and safety

- Maintain above 98% Health & Safety compliance ratings across our buildings
- Achieve the top quartile position in the National Student Housing Survey

Mental health and wellbeing

- Develop a sector leading mental health training programme
- Achieve the Gold Investors in Wellbeing Accreditation

Energy efficiency and consumption

- Working on a roadmap to achieve net-zero emissions and implement it
- Reduce energy and water consumption

Sustainable properties

- Engage our students to reduce energy consumption and reduce waste
- Increase on site energy production

Align to an industry reporting standard by December 2021

Capital expenditure

Planned capital expenditure over 2021 to 2025



£44 million on refurbishing buildings with target IRR of 9% - 11%



£4 million on green initiatives to reduce energy consumption and costs



£30 million on fire safety work on our buildings



On-going annual maintenance capex of **£4 million** per annum

Targets when occupancy normalises

Total Return

7% to 9%

Gross Margin

above 70%

Dividend

Minimum level of **1.5p**
from FY22 with a progressive
fully covered policy as
occupancy increases

Outlook | FY 2021

Current revenue occupancy
AY 21/22

70%

Expected revenue occupancy
AY 21/22

75% - 85%

Administration costs

c£11 m

Dividend Q4 2021

2.5p covering 2019 and 2020

EMPIRIC STUDENT PROPERTY PLC

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Duncan Garrod

Chief Executive Officer



Driving performance to improve shareholder returns

Five Key Priorities



**Actively
Managing
the Property
Portfolio**

**Strengthening
our Brand
Proposition**

**Driving
Performance
through Data
Analytics**

**Delivering
Consistent
Customer
Service**

**Developing
our People**

Actively managing our property portfolio

On-brand hello student

A

Drive Performance

56% by value

- Existing offering aligns to brand
- Strong university foundation
- Growing/significant share of international & postgraduate students
- Rental growth driving strong IRRs
- Well located assets in cluster formations

Next steps:

- Start a programme of light refurbishments
- Grow cluster footprint in long term attractive cites/towns

Off-brand hello student

B

Convert to On-Brand

16% by value

- Right base fundamentals
- Property to be profitably adapted back to on-brand
- Refurbish, extend or reconfigure to create category A standard

Next steps:

- Short to medium term works to realign and unlock latent performance
- Aim to reposition all B assets over time

Other brands

C

Re-Brand or No-Brand

20% by value

- Consistent high occupancy
- Attractive to a distinct cohort
- Capex light with accretive long-term performance

POSTGRADS

NOM's

Next steps:

- Short term continue as now
- Medium term adapt buildings further to play to strengths

Non-core

D

Sell

8% by value

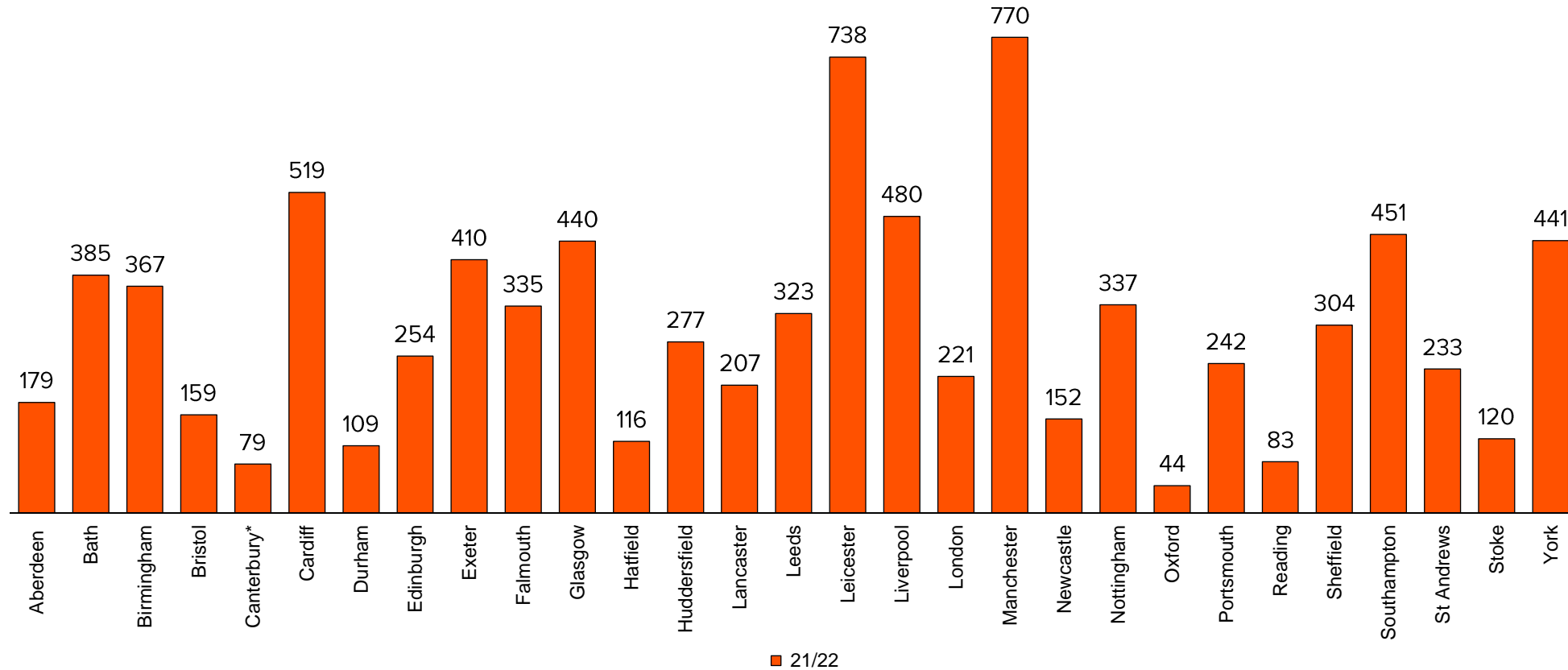
- Properties and building configuration not aligned to brand proposition
- Often smaller properties in standalone locations

Next steps:

- Phased sales programme short to medium term

Operating Assets at Academic Year 21/22

Beds per cities and towns



Total operational beds

8,775

Investing in pilot refurbishments

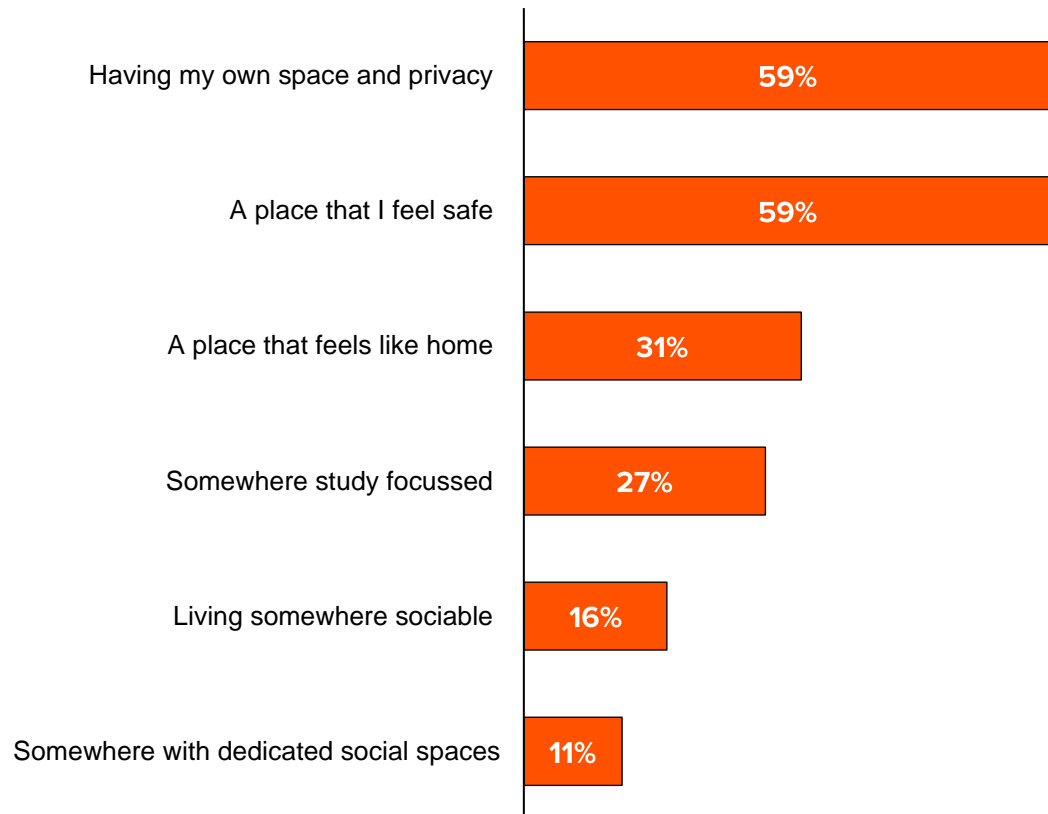
Pilot sites underway
in Bristol and Leeds

Capex £1.5 m

Expected **10% IRR**

Strengthening our brand proposition through customer insight

% times chosen as most important



“Having my own private space” and “somewhere that feels safe and homely” are chosen as more important than all other statements

Empiric has a compelling and differentiated proposition endorsed by customers

Purpose

To help students make the most of their university life by providing safe and modern living spaces with service that makes them feel at home



Mission

To build and operate clusters of high quality student homes in desirable locations, that create vibrant communities for discerning customers, and in doing so deliver attractive shareholder returns



Responsibility

We are inclusive and thoughtful about ESG, contributing fully to our communities, thereby creating long term sustainable value for all our stakeholders



Culture

Our team are our key focus, by working together we deliver a safe, friendly environment and high-quality personalised service for our customers



CUSTOMER PROPOSITION

We provide fully serviced, modern but characterful student homes, not halls, that are safe and convenient, within a friendly and supportive community environment

Driving performance through data analytics | Case study

Analysis identified:

27 room types and prices

Low conversion rates

Sub-optimal search engine position below top 10



Solution implemented:

6 room types and prices

Conversion rates improved 20%

Search engine position in top 3



Delivering consistent customer service

Global Living Student Index Q2 2021

**Hello Student Net
Promoter Score (NPS) +27**
**Increased +6 points
since Q4 2020**

Average Sector NPS for "All Halls" -8

“As a foreigner travelling to UK for the first time my main worry was accommodation. Its security, environment, proximity to essential services and University. I must say all this was perfectly sorted.... “

“The staff are friendly and attentive to concerns. When you have an enquiry or an issue they sort it straight away. The common areas are clean and protocols are in place for COVID safety.”

“Staff are absolutely amazing. They helped a lot with my move and even let me move in early to make the transition easier. They’re so friendly and you can tell they really care for the people here...”

“The people are very nice, responsible and patient. The biggest advantage of my room is that it can get much natural light, especially after comparing my friends’ rooms, they will always envy my room during the pandemic.”

Developing our people | Redefining our values



Honest

Always transparent and open in our approach



One Team

Together we develop friendly and safe communities



Memorable

We create positive experiences and lifelong memories



Equal

Everyone welcome and treated with the same amount of respect and kindness



Successful

We provide high quality services that deliver results now and for the future



81%

colleague engagement score vs UK average of 68%

Delivering attractive sustainable shareholder returns

Expect 75% to 85% occupancy for AY 21/22 driven by good demand and face to face teaching

Actively managing the portfolio to recycle capital and drive returns

Revenue management system enables dynamic pricing, cost savings and improved customer acquisition

ESG roadmap enhances brand strength and reputation

Resuming dividends in Q4 with plan to increase as occupancy normalises

Targets when occupancy normalises:

- Gross Margin >**70%**
- Total Return of **7%-9%**

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Q&A



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