

ESP

Annual Results Presentation

for the Year Ended
31 December 2020

17 March 2021



EMPIRIC STUDENT PROPERTY PLC

ESP

Mark Pain

Chairman



ESP

Duncan
Garrood

Chief Executive Officer



Agenda

Introduction

Duncan Garrood

Financial Performance

Lynne Fennah

Looking Forward

Duncan Garrood

Q&A

Well placed to drive performance and improve shareholder returns

Went into pandemic in strong position

Rapid, effective and supportive response to COVID-19

Tightly controlled cost and cash management

Sufficient liquidity to trade through to market recovery

Revenue management system now in operation for FY21/22

Will resume dividend payments as soon as there is greater certainty about market recovery

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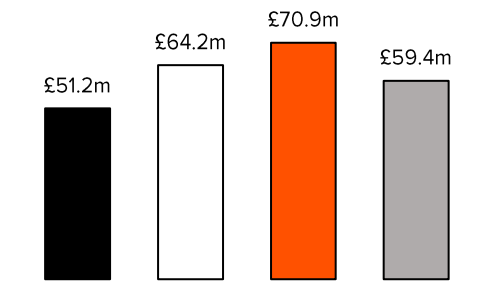
Lynne Fennah

Chief Financial &
Operating Officer

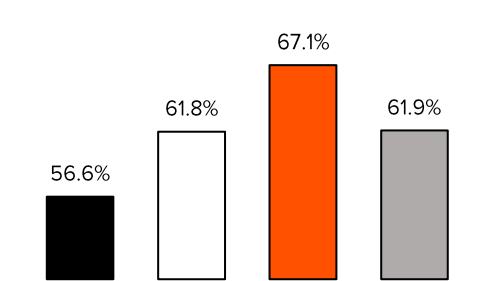


Financial headlines

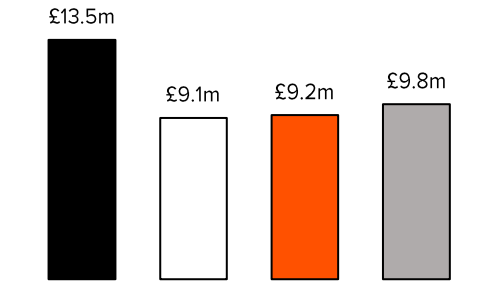
Revenue



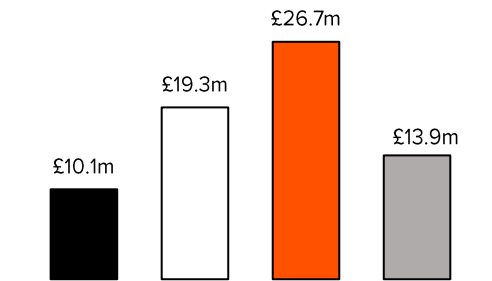
Gross margin



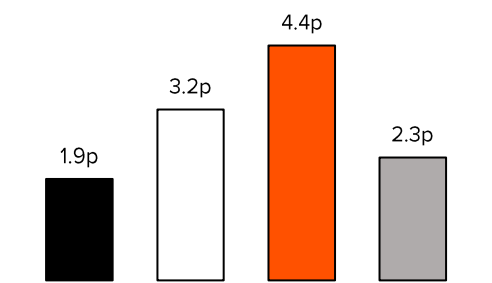
Administration costs



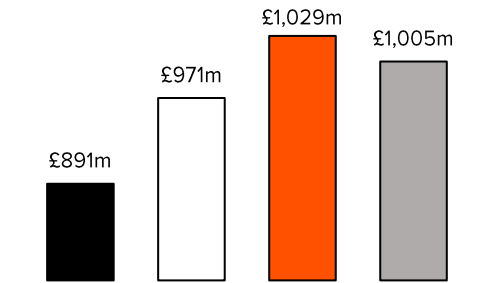
Adjusted Earnings



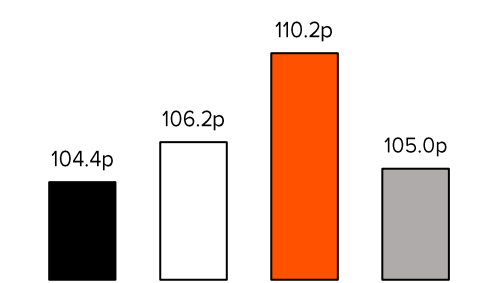
Adjusted Basic EPS



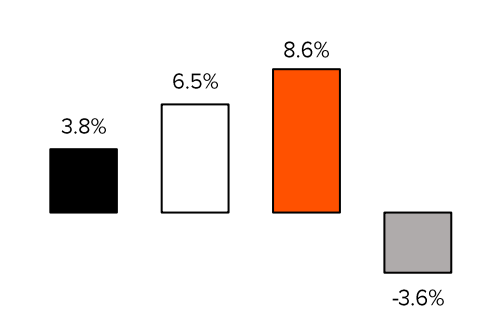
Investment Property



EPRA NTA Per Share



Total Return



Key
■ 2017 □ 2018 ■ 2019 ■ 2020

Income statement

	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000	FY 20 vs. FY 19 % Change
Revenue	59,444	70,908	(16%)
Property Expenses	(22,651)	(23,351)	3%
Gross Profit	36,793	47,557	(23%)
Gross Margin %	61.9%	67.1%	(8%)
Administrative and Other Expenses	(9,841)	(9,222)	(7%)
Changes in Fair Value of Investment Property	(37,603)	29,176	(229%)
Operating (Loss)/Profit	(10,651)	67,511	(116%)
Net Finance Expense	(13,319)	(12,739)	(5%)
(Loss)/Profit before Taxation	(23,970)	54,772	(144%)
Dividends Paid	(7,540)	(30,148)	(75%)
Dividend Cover ⁽¹⁾	183.8%	88.5%	108%
Earnings pence per share – Basic	(3.97)	9.08	(144%)

(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.

Like for Like Rental Growth:

AY 19/20

AY 20/21 to date

3.1% ⁽²⁾

1.8%

Average Cost reduction Per Bed:

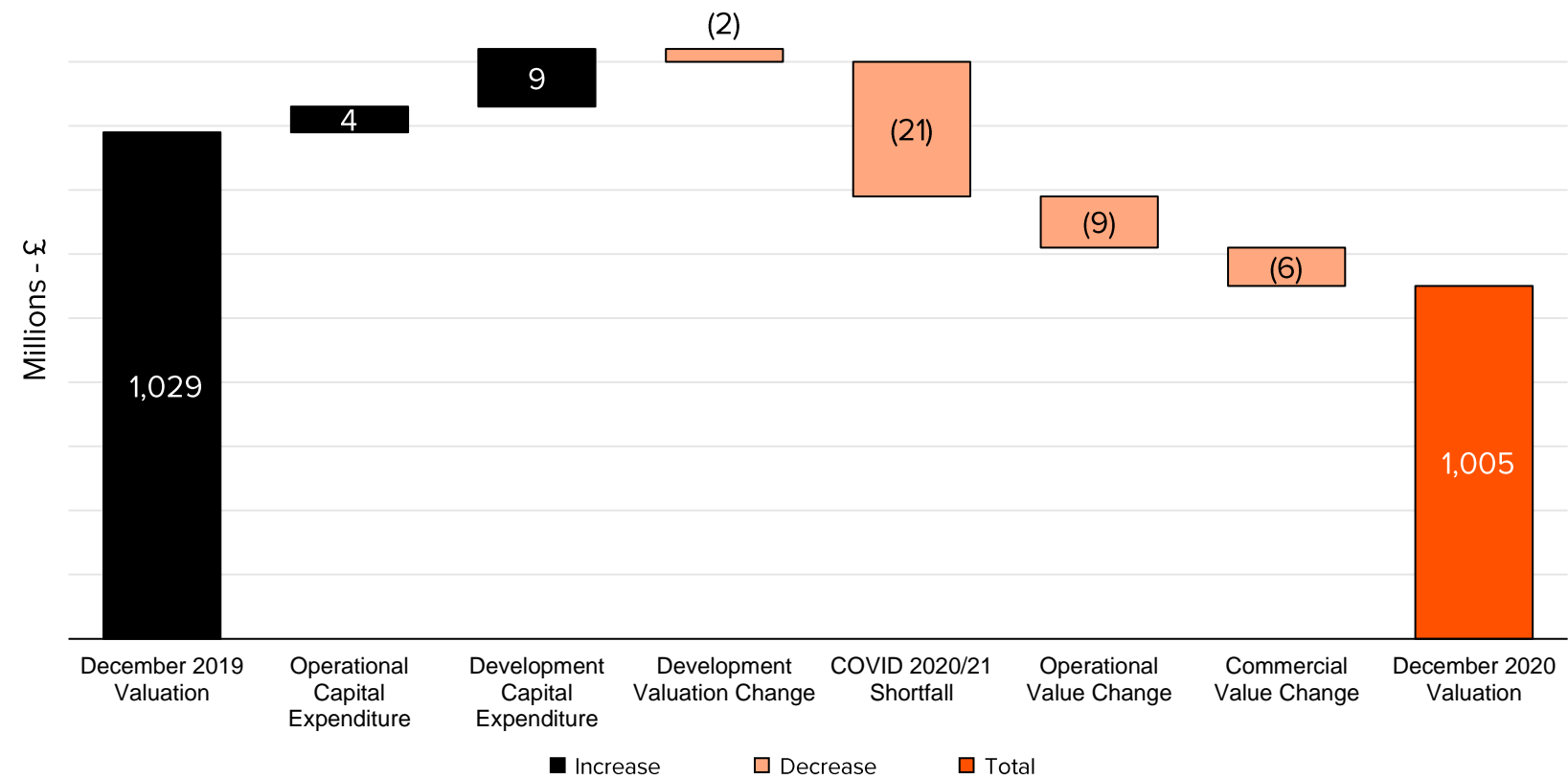
3%

6.4% ⁽³⁾

(2) Before deduction of refunds
(3) Excluding increase in council tax

Valuation movement

31 December 2020 Valuation Bridge



Change in CBRE Occupancy Assumption:

Was 50% for 15 months from 30 June 2020 – now 60% for the first 9 months of FY 2021

As a result, CBRE capital deduction reduced from £42 million at 30 June 20 to £21 million at 31 December 20

2020 Valuation Average
Net Initial Yield

5.61% ^(Dec 2019) 5.55%

Financial position at the year end

	31 December 2020 £'000	31 December 2019 £'000
Property, plant and equipment	135	352
Intangible assets	1,054	1,619
Investment property	1,005,120	1,029,080
Trade and other receivables	14,510	10,538
Cash and equivalents including fixed term deposits	33,927	16,517
Total Assets	1,054,746	1,058,106
Trade and other payables	15,527	14,372
Deferred income	20,676	29,204
Borrowings	385,266	349,772
Total Liabilities	421,469	393,348
Net Assets	633,277	664,758
EPRA Net Tangible Asset Value per share (basic)	105.00	110.21

Liquidity and debt

Investment Debt	Total Facility £m	Drawn £m	Expiry Date
FCB RCF	20.0	20.0	Mar-2023
AIB	32.8	32.8	Oct-2024
Lloyds RCF	90.0	60.0	Nov-2022
Scottish Widows	86.1	86.1	Dec-2028
Barings	120.0	120.0	Apr-2028
Canada Life	71.1	71.1	Mar-2024
Total	420.0	390.0	

Development Debt			
NatWest	22.5	-	Mar-2023
Total	22.5	-	

Weighted average
interest payable

2.9%⁽¹⁾

Loan to value

35.4%⁽²⁾

Undrawn facilities and cash
At 28th February 2021

£62.5m

Weighted average term

5.9 years⁽¹⁾

Uncharged assets

£52m

(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

- ✓ 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:
 - Sustainability – led by Head of Property
 - People and Community – led by HR Director
 - Governance – led by Group Financial Controller
- ✓ Benchmarking exercise complete and ESG roadmap being developed

2021 outlook

Revenue Occupancy
AY 20/21 to date

65%

Physical Occupancy
AY 20/21 currently

57%

Revenue Occupancy
AY 21/22 currently

20%

Targeting Administration
costs around

£11m

Dividend

Review after start of **AY 21/22**

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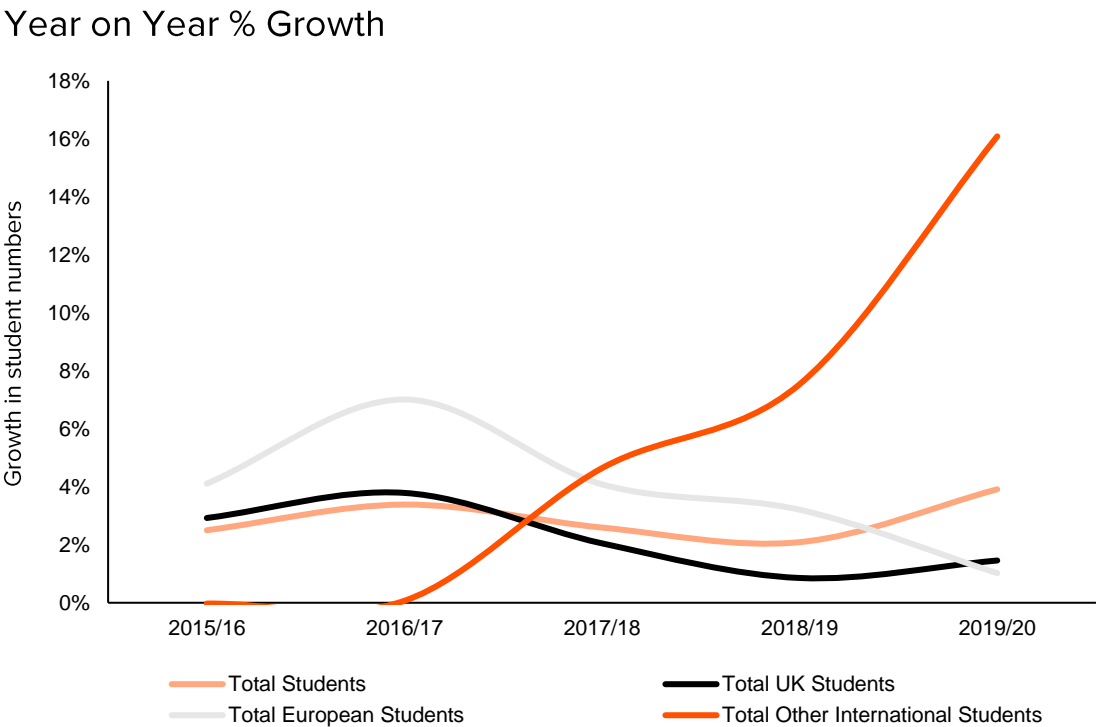
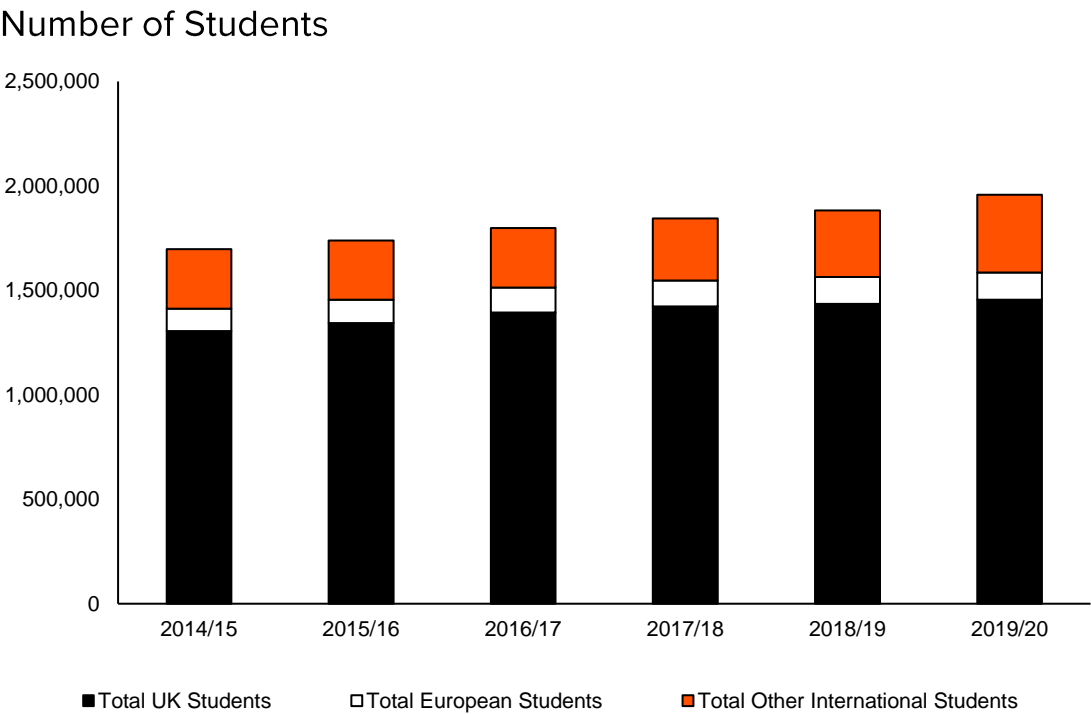
**Duncan
Garrood**

Chief Executive Officer



Empiric is well aligned with growth in demand

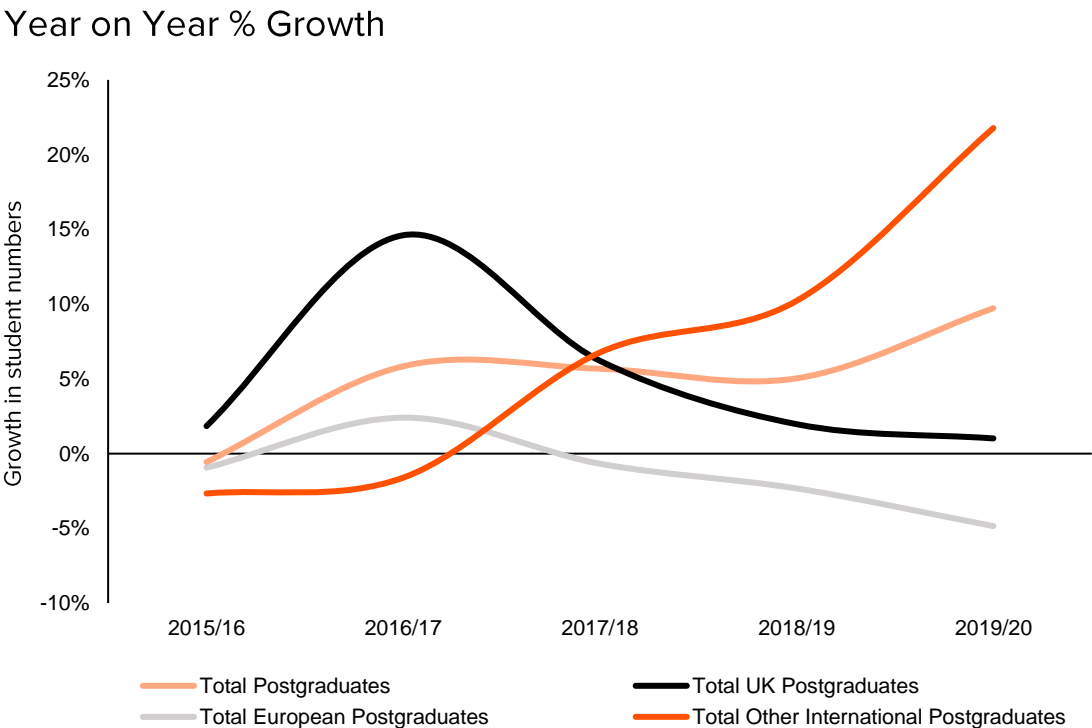
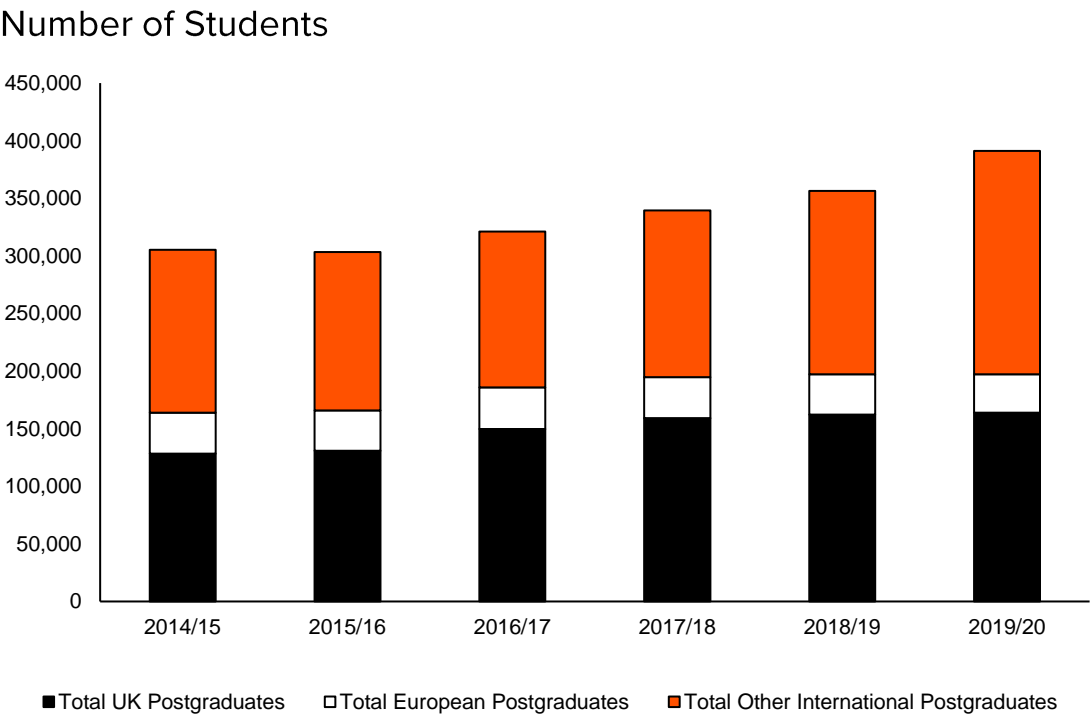
Growth in total students in full time Higher Education



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

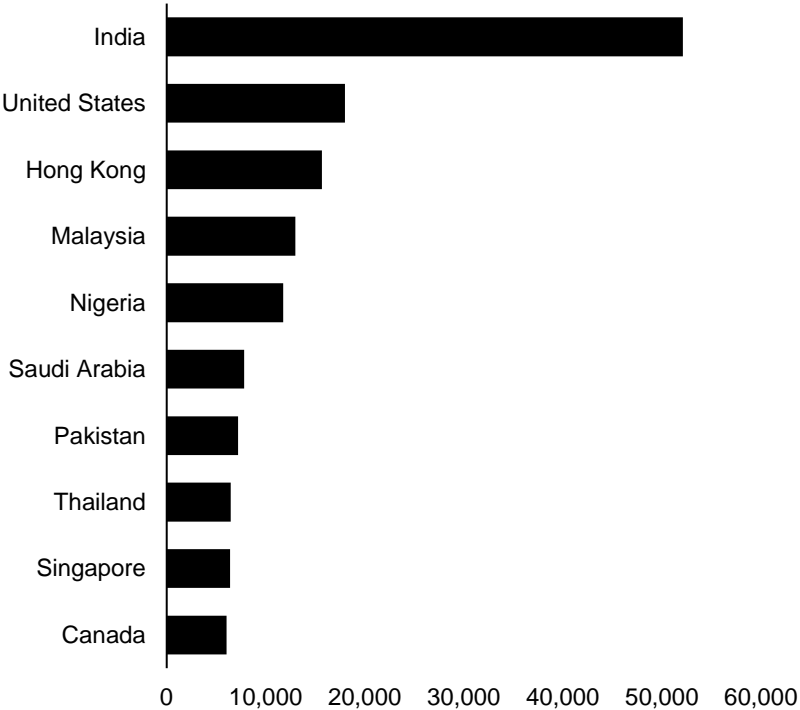
Empiric is well aligned with growth in demand

Growth in postgraduates in full time Higher Education

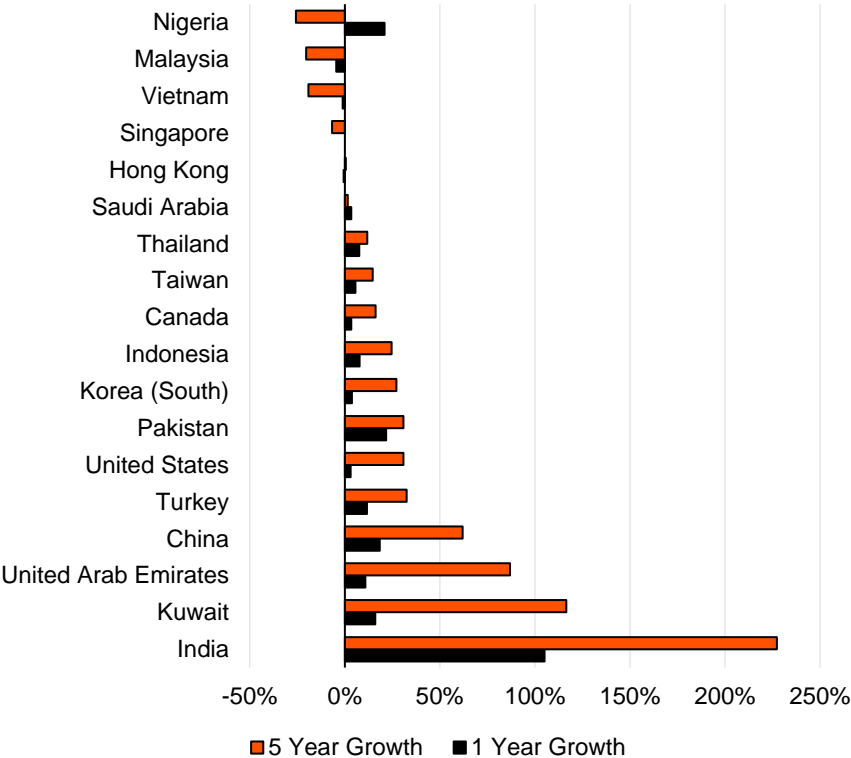


Empiric is well aligned with growth in demand

Number of Non-EU International Students AY 19/20

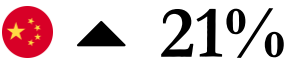


Growth in non EU international students AY 15/16 to AY 19/20

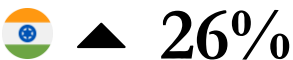


UCAS AY 21/22 Undergraduate Applications

Applications from China are up 21% year on year



Applications from India are up 26% year on year



Applications from the USA are up 61% year on year

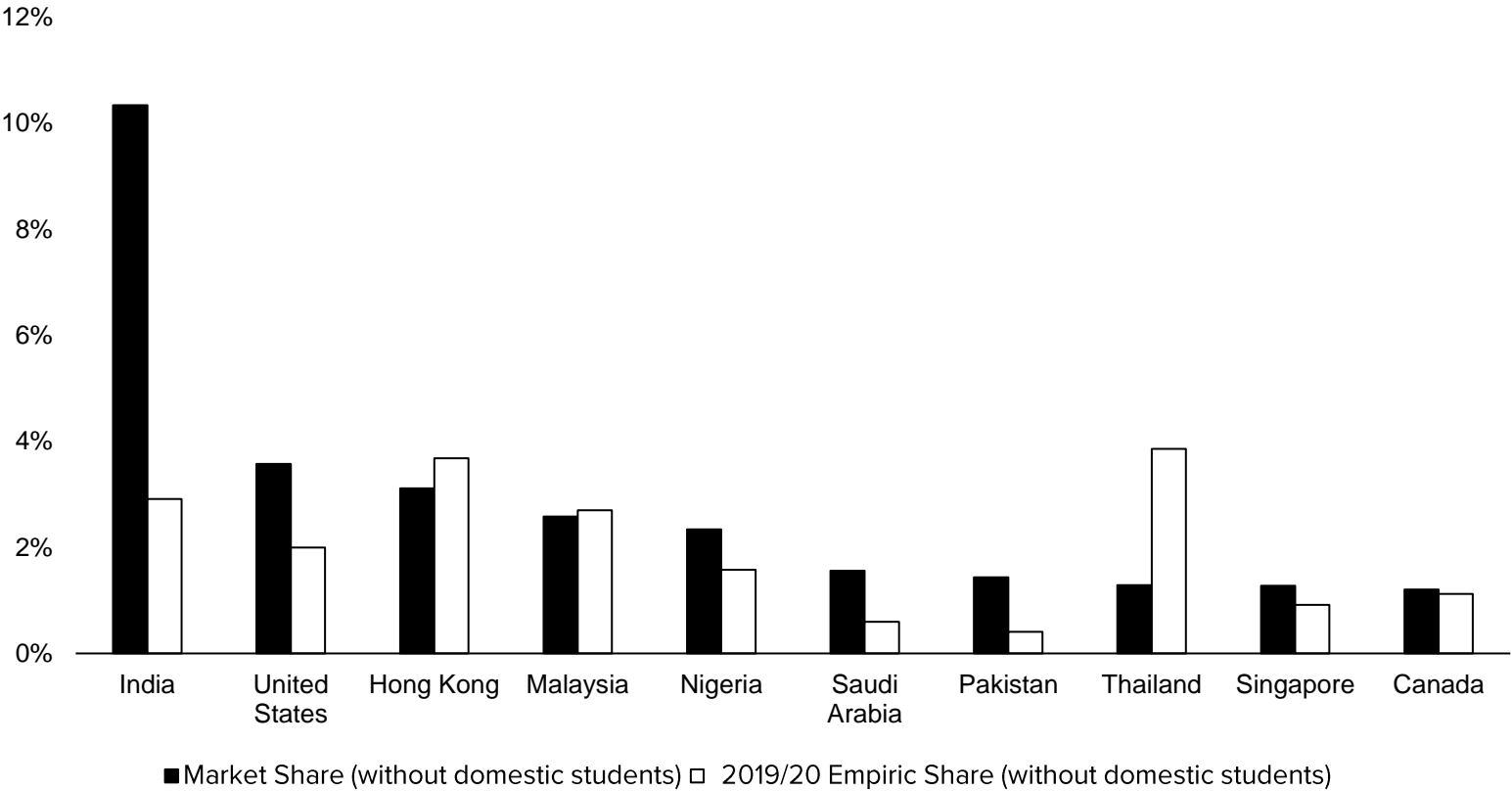


Sources: CBRE Insight Tool, HESA 2019/20 Dataset (China not shown due to scale)

Countries under-represented in Empiric’s customer base are potential growth opportunities

China remains the largest international market at 27% and continues to grow

Significant growth opportunities for Empiric in many international markets



Sources: CBRE Insight Tool, HESA 2019/20 Dataset, Percentages exclude domestic students but include China in calculation but which is not shown on graph due to scale

Demand continues to outstrip supply

Outer circle shows makeup of 1.95M total Students

Inner circle shows makeup of 630K total University and PBSA beds available

PBSA plus University halls can house around one third of the total student population

Significant opportunity for market share gain for Empiric and growth in PBSA sector

Other International Students

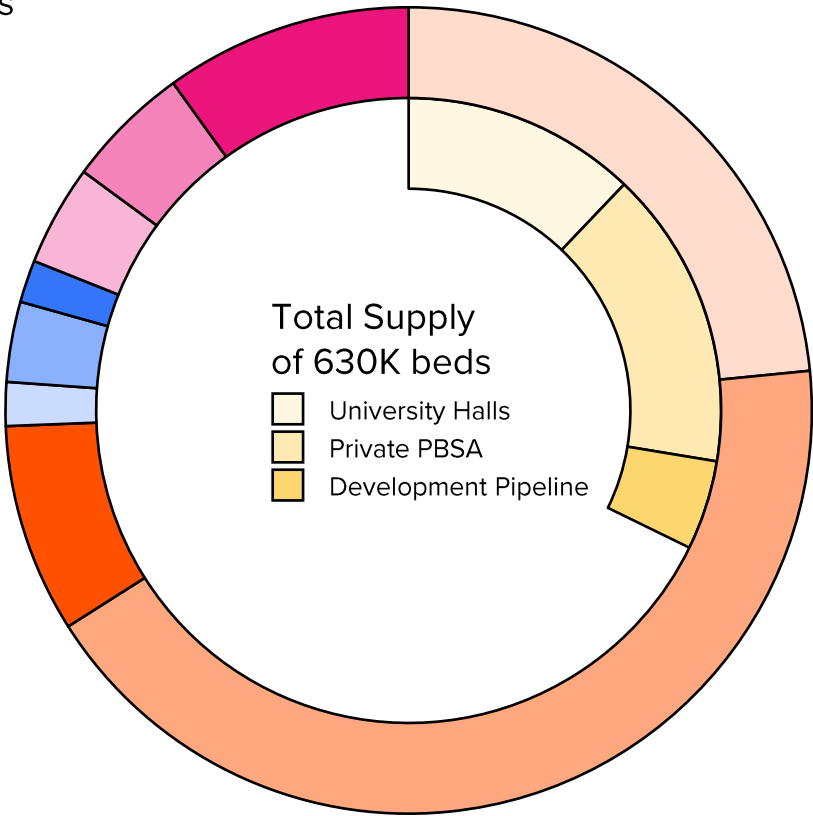
- First Year Undergraduate
- Other Year Undergraduate
- Postgraduate

European Students

- First Year Undergraduate
- Other Year Undergraduate
- Postgraduate

Domestic Students

- First Year Undergraduate
- Other Year Undergraduate
- Postgraduate



Empiric well placed to compete in this marketplace

- ✓ Fully in-house operating platform
- ✓ Dynamic revenue management opportunities to optimise revenue
- ✓ Control over customer experience and live customer data
- ✓ Focussed largely on growing Russell Group Universities
- ✓ Providing strongly differentiated homes ideal for International Students' needs

Hello Student brand
quality at NPS

+23 points
above sector average
and

+38 points
above immediate
private peers

Empiric has a compelling and differentiated customer proposition

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 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

£569M 37 SITES

- 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

£161M 15 SITES

- 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

£177M 23 SITES

- Consistent high occupancy
- Attractive to a distinct cohort
- Capex light with accretive long-term performance
- Forms part of a cluster or nomination agreements

NEXT STEPS:

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

NON-CORE

D

SELL

£99M 20 SITES

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

NEXT STEPS:

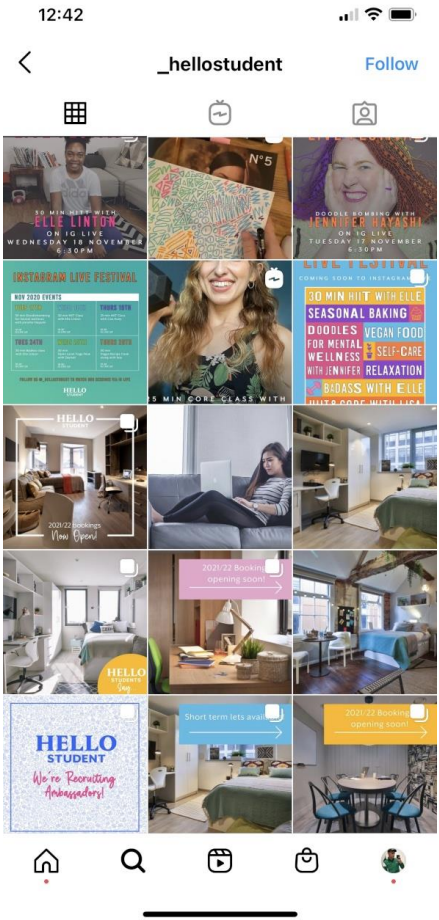
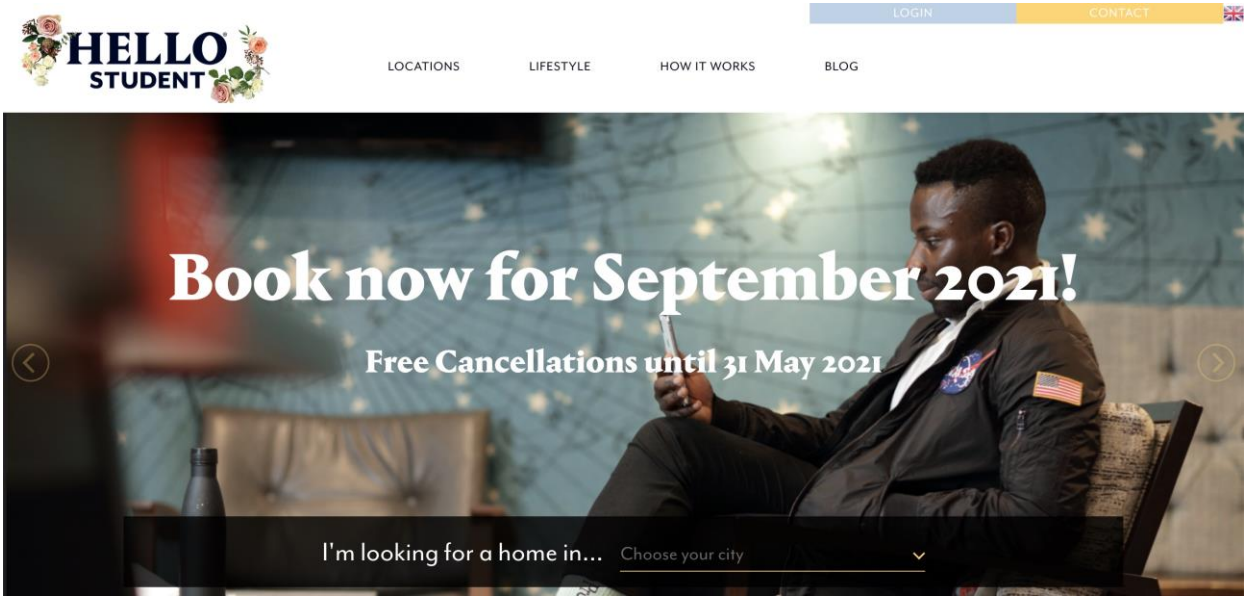
- Phased sales programme short to medium term

Strengthening our brand proposition

Hello Student brand already has strong awareness and good reputation

Proposition to be refined through qualitative and quantitative customer research

Early indications for improvements to website: better room details, maps and 3D viewings



Strengthening our brand proposition:

Managing our business responsibly for sustainable growth

Significant ESG opportunities to drive further sustainable value for all our stakeholders

ESG is central to our brand, customers and values

We are already delivering on a number of new initiatives:

- All energy contracts now use 100% renewable energy
- In process of developing a sustainability roadmap

Reducing our carbon footprint

Building sites in an accessible sustainable manner

Prioritising health and wellbeing

Continuing to improve diversity and inclusion

Supporting Universities and local communities in their charitable endeavors

Creating local employment opportunities

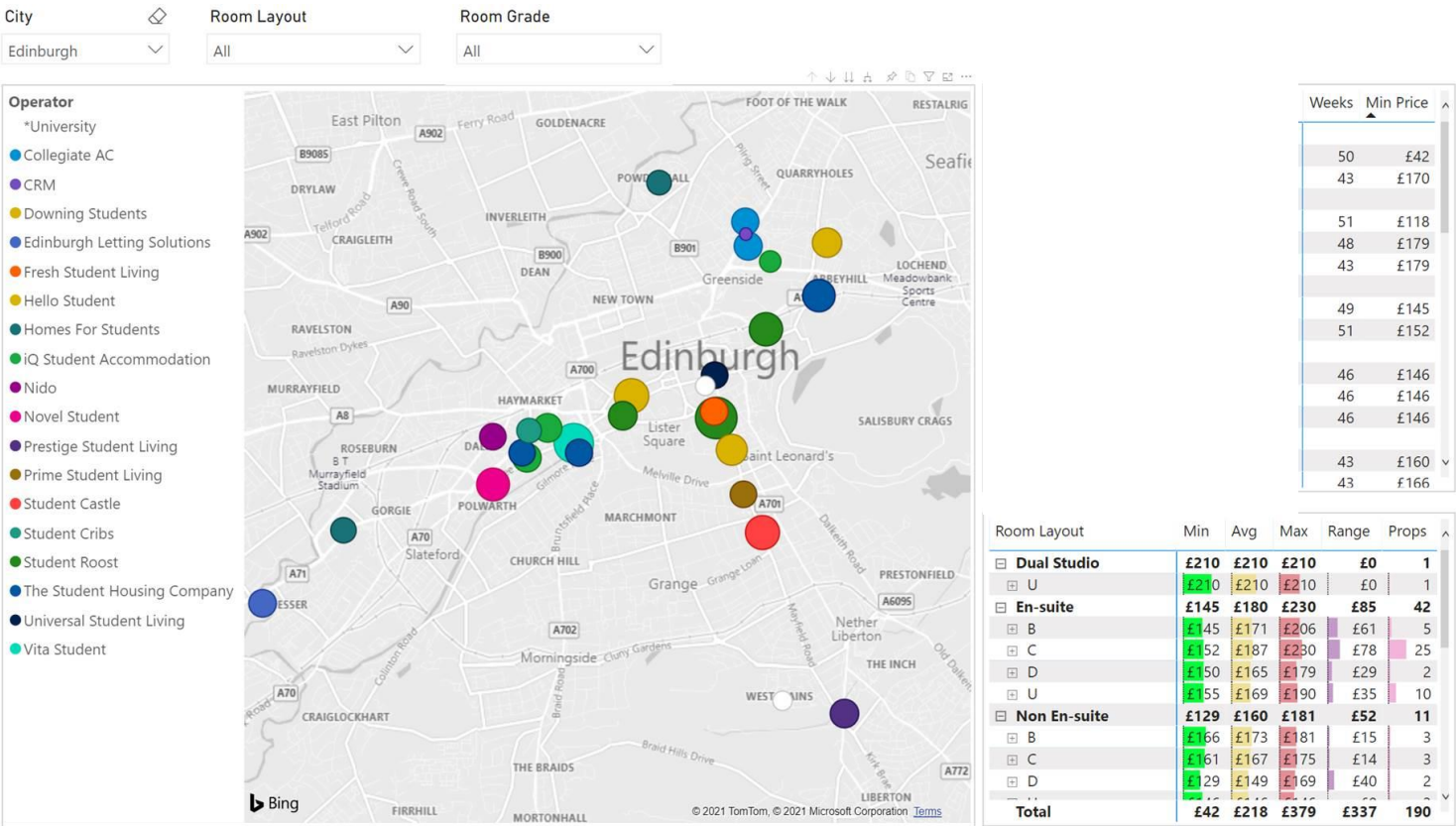
Driving performance through data analytics

Revenue management systems are now in-house so we will be able to systemise dynamic pricing

Using live data to maximise revenues in high demand sites and occupancy in those slower to fill

Using business intelligence tools to analyse our data and better target growth opportunities

Introducing a new CRM system to improve customer acquisition and conversion



Delivering consistent customer service

Friendly consistent high-quality service is a strong differentiator

Put in place 24-hour service cover, improving safety and security

Customer service, cleaning and basic maintenance teams in house allows us to control quality and price

Introduced greater focus on students' well-being, allowing each student access to support from counsellors

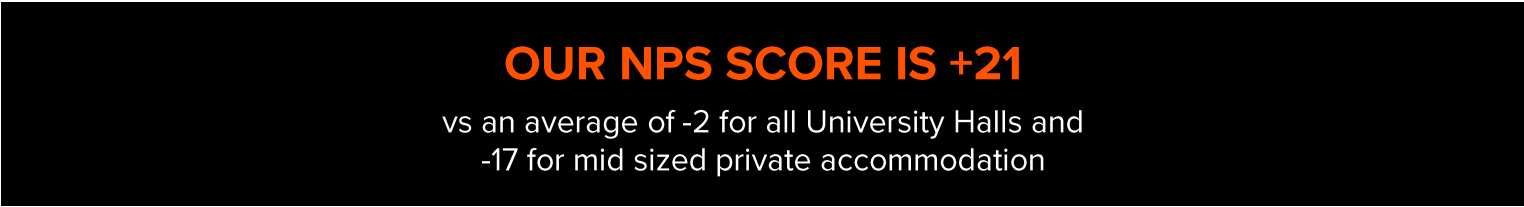
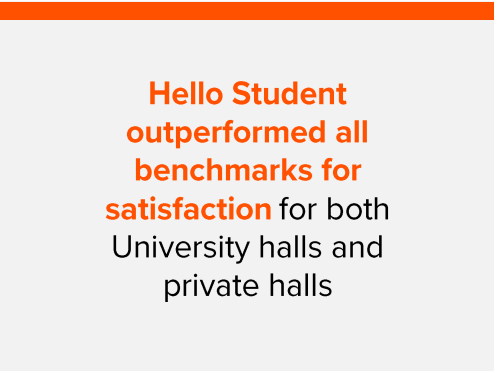
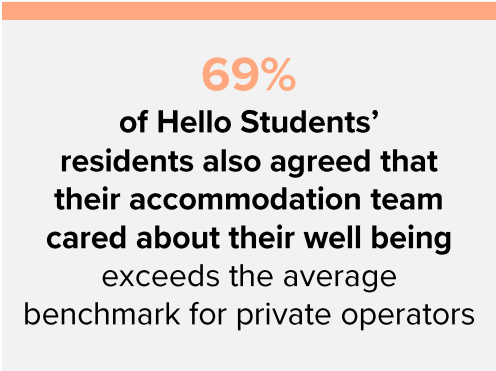
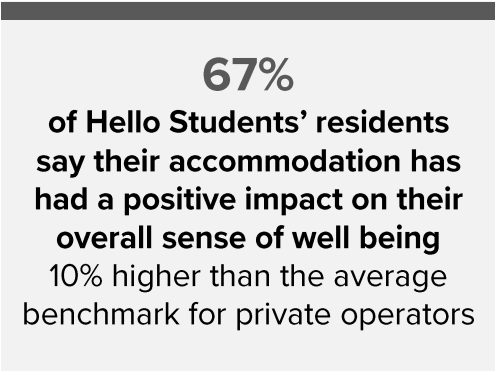
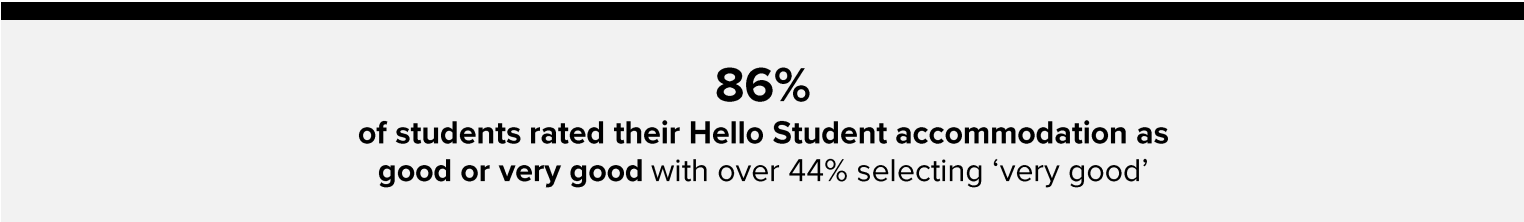


Delivering consistent customer service: Building on strong foundations

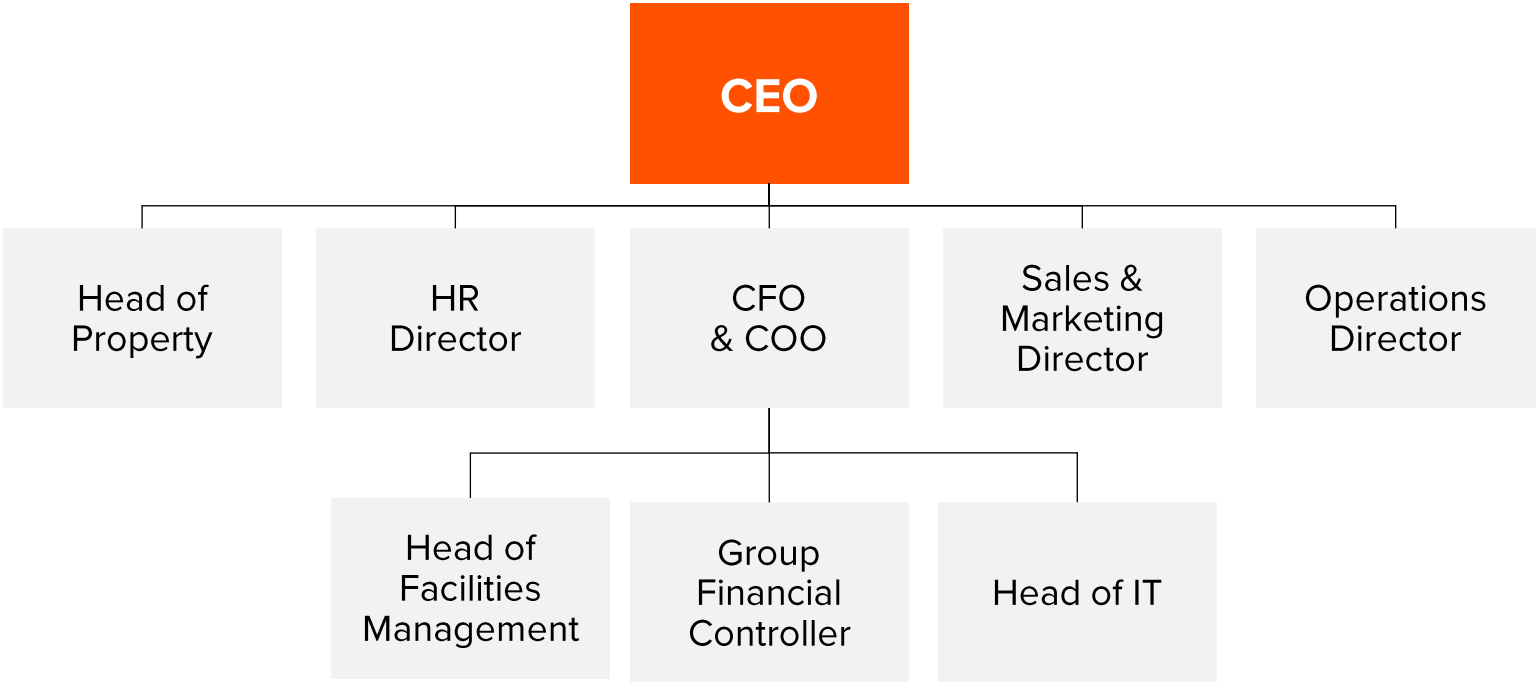
Growing via recommendation
increases awareness and
recruits new customers

Aim to increase rebookers and
reduce the cost of customer
acquisition

National Student Housing
Survey: Hello Student has
a leading NPS score



Developing our people



Significant focus on **Training and E-Learning**

81%
engagement score by Colleagues
vs UK average of 68%

Delivering improved sustainable shareholder returns

We operate in markets where demand continues to outstrip supply

Our brand proposition gives us a competitive advantage

We are actively managing the portfolio to recycle capital

We are leveraging our operating platform to grow revenue, acquire new customers and reduce costs

Cautiously optimistic that with vaccination programmes, occupancy levels start to normalise in FY21/22

Plan to resume dividend payments when we have greater clarity on market recovery

ESP

Q&A



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