Press Release

7th April 2020

McKAY SECURITIES Plc (“McKay”) COVID-19 BUSINESS UPDATE

McKay Securities Plc, the only UK REIT specialising entirely in the office, industrial and logistics markets of London and the South East, today provides an update on the impact of the global COVID-19 pandemic on the business to date.

Our primary focus through this profoundly challenging period has been the health and wellbeing of our colleagues, the occupiers of our buildings and our suppliers, whilst maintaining operational resilience and protecting the long-term value of the Company.

Financial strength & flexibility

Our strategy over recent years has strengthened McKay’s financial position and capital structure, which leaves us well placed to deal with a period of prolonged uncertainty thanks to a strong balance sheet, high liquidity and significant headroom to covenants.

- With drawn debt at 31st March 2020 of £194 million, we have £51 million of cash and available facilities.
- Total facilities consist of a £65 million, 15 year term loan with Aviva to 2030, and a five year £180 million club Revolving Credit Facility that was completed in April 2019. The weighted average maturity of these facilities is 5.6 years, the first of which does not mature until April 2024.
- No committed development expenditure following the completion of all but minor works at 135 Theale Logistics Park shortly before lockdown, and modest committed portfolio capital expenditure of below £1 million.
- Sale proceeds of c. £65 million (net) from the contracted sale of 30 Lombard Street, EC2, will be used to reduce borrowings. Completion of this sale, which remains conditional on satisfying outstanding highway matters, had been anticipated in Q2 2020, but with COVID-19 related delays, is unlikely to take place prior to Q3 2020.
- Low leverage, with LTV of 38% (drawn debt at 31st March 2020 and 30th September 2019 asset values, including Rivergate, Newbury acquisition at cost), reducing to 28% on completion of the sale of Lombard Street.
- Rental income (over a 12 month rolling period) would have to fall by 27% and asset value by 37% before affecting our bank covenants.

The long-term drivers for our key market sectors, being office, industrial and logistics, remain positive, providing us with confidence that McKay is well positioned for the future.

Operational resilience

Throughout this rapidly evolving situation, we have closely monitored and implemented government guidance, with all staff working from home since 19th March 2020. Despite the extreme scale of business disruption, we have been able to maintain a high level of business continuity.

- Recent investment has upgraded our IT infrastructure, providing staff with remote access to our operating systems and the ability to collaborate effectively from home.
- The in-house management of our portfolio, and our direct relationships with our occupiers, has facilitated the swift and efficient introduction of initiatives to secure and maintain our assets, and to minimise the risks to our occupiers. All buildings remain accessible, and measures are being taken to support our occupiers with reduced running costs.
- With our narrow geographic focus on the South East and London, all our buildings can be easily accessed in the event of essential maintenance.
- Following the recent completion of our sole outstanding development project, the 134,430 sq ft logistics warehouse at Theale, we had no active construction sites or material asset management activity that required closure at the time the government’s enhanced social distancing measure came into place.

Rent receipts

We benefit from a highly diverse customer base of predominantly office, industrial and warehouse operators, but are acutely aware that livelihoods and businesses are at risk from short-term cashflow issues. It is in the interest of all stakeholders to work together during this period of economic suspension and we place great value on our relationships with our occupiers.

- Following the most recent quarterly payment date of 25th March 2020 for rent due to 30th June 2020, 65% has been paid or is being paid monthly. A further 11% is subject to agreed deferred payment plans. This compares with c. 90% in prior periods.
- Of the balance, 13% of rent due is in advanced discussions with two of our larger occupiers, and a further 7% is under discussion with others. The remaining 4% is due from eight occupiers who we've been unable to contact so far.

Outlook

Underlying earnings for the year ending 31st March 2020 are currently expected to be in line with previous expectations. However, we have been advised that our independent valuation as at 31st March 2020 will include a material uncertainty clause, in accordance with the guidance issued to all valuers by RICS.

At this stage, we anticipate publishing our preliminary financial results for the year to 31st March 2020 in May 2020 and will confirm a date in due course.

The scale of the impact of the pandemic on future earnings and capital values cannot be assessed at this stage, as the duration of disruption and the effectiveness of Government support remains unknown. We will continue to respond to the evolving situation and, once our year end results are finalised, will consider recommendations in respect of a final dividend.

-ENDS-

For further information, please contact:

McKay Securities Plc
Simon Perkins, CEO
Giles Salmon, CFO
0118 950 2333

FTI Consulting
Dido Laurimore, Ellie Sweeney
0203 727 1000
mckay@fticonsulting.com

About McKay

McKay Securities Plc is a commercial property investment company with Real Estate Investment Trust (REIT) status, listed on the main market of the London Stock Exchange. It specialises in the development and refurbishment of office, industrial and logistics buildings within proven markets of London and South East England. The portfolio at 30th September 2019 comprised 32 properties with 175 occupiers on 211 leases, valued at £492.14m, located in established areas, predominantly along the M4 corridor, where McKay has deep expertise, with a focus on growing satellite towns benefitting from strong connectively to London and robust demand amongst leading occupiers.

www.mckaysecurities.plc.uk