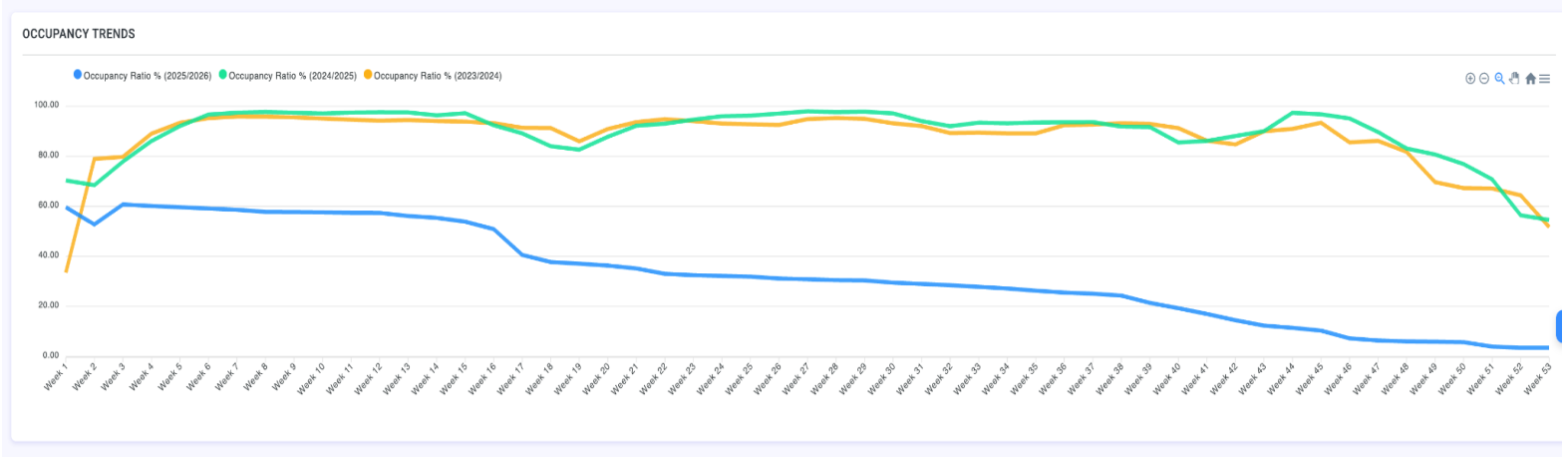
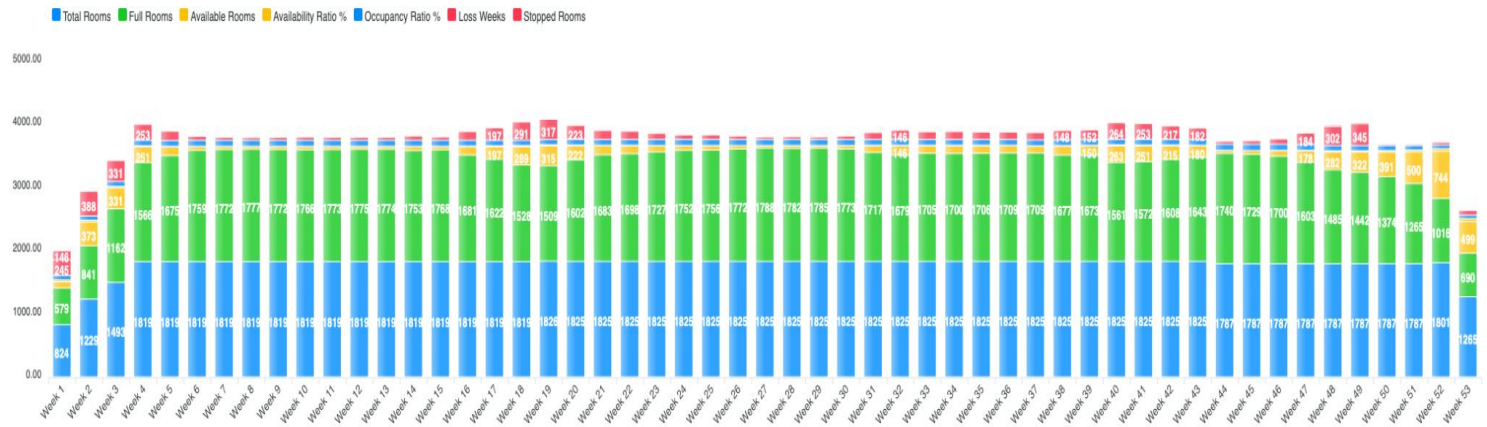
Londonist DMC Trading 12-month Physical and Economic Occupancy Report

OCCUPANCY TRENDS

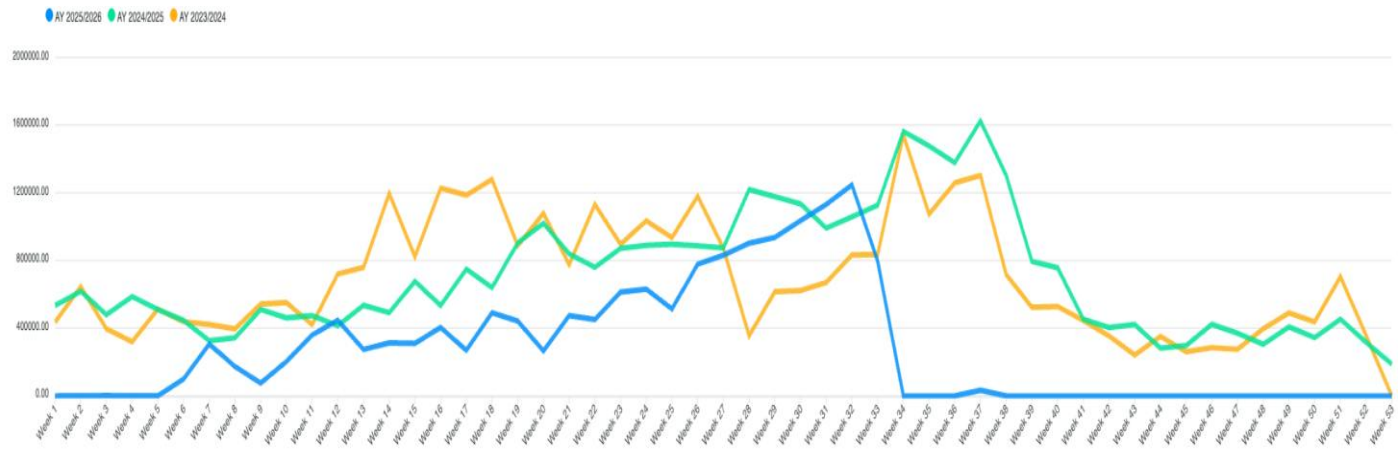


Occupancy ratios across academic years (AY) 2023/24 and 2024/25 show a clear upward trajectory, with each successive year achieving higher capacity utilization than the prior year. We consistently reached near-full occupancy in both periods, reflecting robust demand and the effective management strategies that drove this improvement. This sustained strength in occupancy underscores the regained momentum and operational effectiveness of our business.

This strong occupancy performance is driven by excellent operational execution and proactive market engagement with our global partners. We optimized our booking processes to be more efficient, converting inquiries to confirmed reservations at a higher rate and with shorter lead times. By launching marketing and outreach efforts earlier in the cycle (especially in AY 2024/25), our team captured demand well ahead of the academic term. This ensured our accommodations were filled faster, sustaining high occupancy throughout the year. These measures highlight our ability to respond swiftly to market opportunities and secure bookings early, cementing confidence in our ability to maximize occupancy.

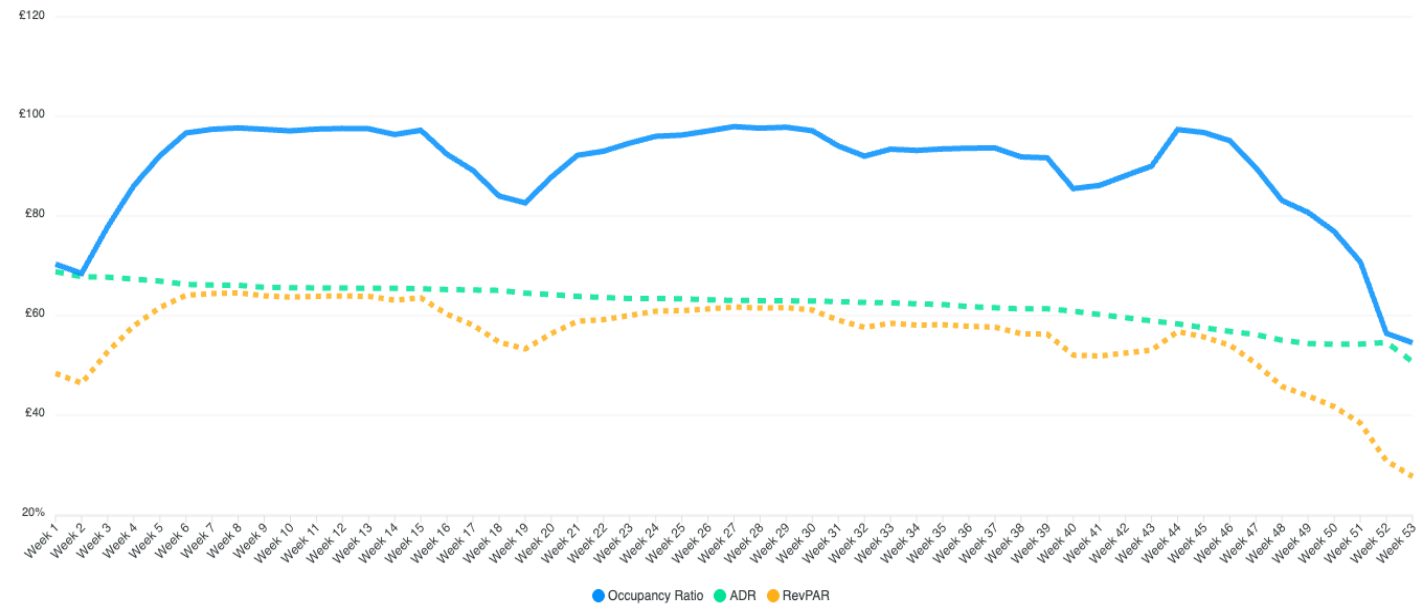


Sales Trends

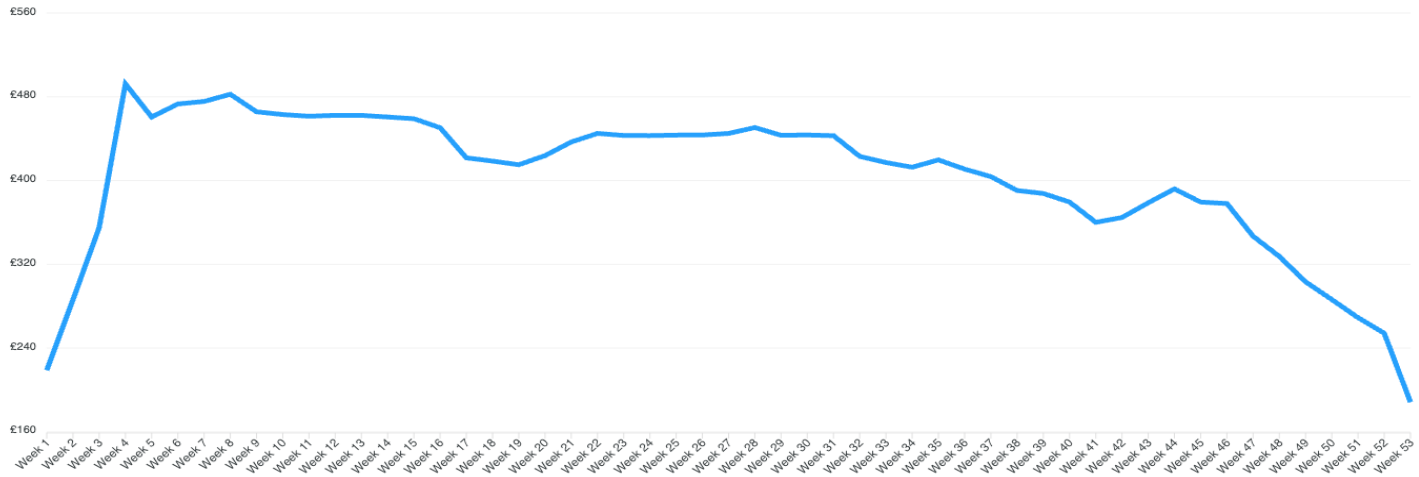


For AY 2025/26, occupancy is currently tracking slightly behind last year's pace, largely because many students are confirming their accommodations later in the cycle and due to cancelations. We anticipated this shift and have already activated a focused recovery plan, including sustained outreach and flexible booking options and innovative campaigns to encourage last-minute bookings. We expect occupancy to accelerate and reach comparable levels by the start of the term, closing the initial gap. This short-term timing variance does not alter our positive trajectory; our agile response demonstrates operational resilience and keeps us firmly on track for full commercial recovery.

REVPAR (REVENUE PER AVAILABLE ROOM) REPORT



TREVPAR (TOTAL REVENUE PER AVAILABLE ROOM) REPORT



Explanation for Higher Losses in 2024/25 Compared to 2023/24

While operational performance, especially in terms of sales and occupancy remained strong throughout AY 2024/25, the overall profitability was significantly impacted due to *external factors beyond our commercial control*. The loss increase this year is not a result of poor internal execution, but rather distortions in the market introduced by a small number of large PBSA providers, including the following:

1. Excessive Cashback Incentives Offered Directly to Students

A number of providers began offering *unsustainable cashback schemes*, often amounting to £500–£1,000 per student, directly to end users. These incentives were not shared transparently with partners and effectively undermined our ability to compete on pricing, even after securing volume-based deals.

Impact: We were forced to either match these cashback levels from our own margin or absorb the loss through cancellations and lost sales, contributing heavily to the gross profit erosion in high-volume buildings.

2. Deep Discounts and Rate changes by Providers

Some providers unilaterally offered significantly lower rates to the open market often undercutting previously agreed wholesale or nomination pricing. Despite pre-purchased room blocks, they allowed other agencies or even direct bookings to be made below our

cost, eroding the value of our long-term agreements and forcing us to either discount reactively or risk unsold inventory.

3. Short-Term Letting by Providers in Conflict with Nomination Terms

Several providers have increasingly diverted capacity to short-term bookings, including summer lets and corporate usage, even during peak student seasons. This not only contradicted the spirit of nomination agreements but also created artificial scarcity and confusion in availability, driving students toward these short-term channels at discounted rates.

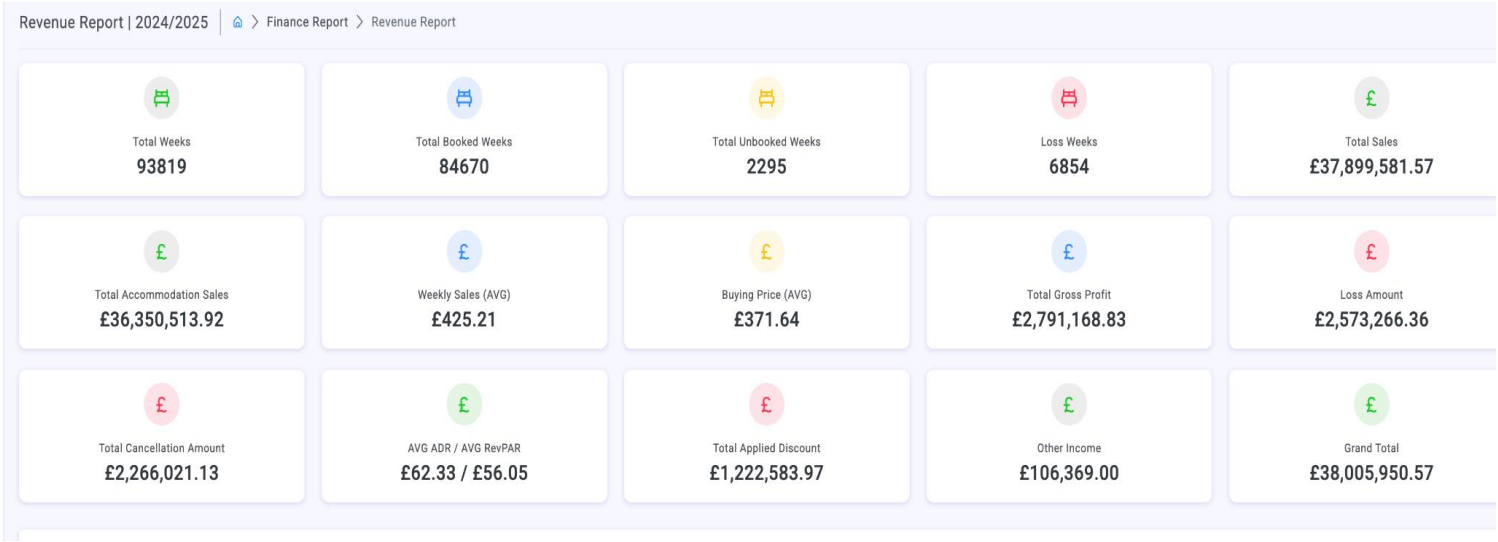
Impact: Our pipeline was disrupted, with direct bookings bypassing partner agencies altogether. This practice eroded brand trust, impacted booking volume consistency, and introduced unpredictable fluctuations in sales velocity. Where once all students would come to Londonist for short-term accommodation this market now is becoming saturated with providers moving into this model.

4. Net Effect: Artificial Margin Compression

Despite booking over £37.8M in sales and achieving very high occupancy levels, our average gross margin fell due to:

- Absorbed cashback costs
- Promotional matching
- Higher cancellations due to undercutting
- Penalties from unsold guaranteed blocks

Result: These market dynamics led to a loss exceeding £2.5M, compared to £1.8M the previous year — a deterioration driven by structural unfairness in the supplier landscape, not operational weakness.



Business Activity Remained Exceptionally Strong

- **Total Sales:** £37.9 million
- **Total Weeks Sold:** 93,819
- **Total Booked Weeks:** 84,670 (around 90.2% occupancy based on inventory)
- **Accommodation Revenue Alone:** £36.35 million

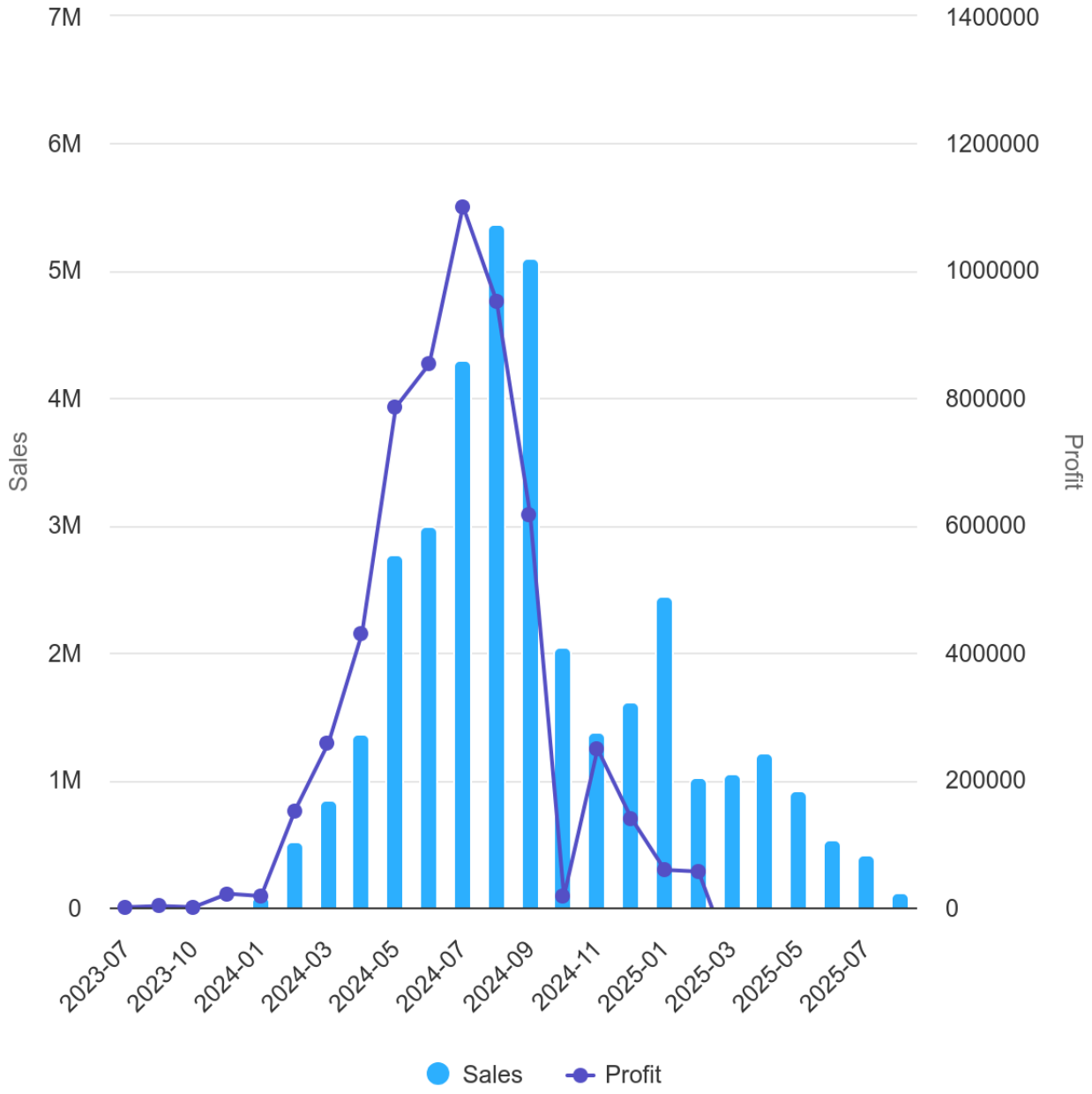
Despite the excellent trading performance, gross profit was only £2.79 million, with a net loss of £2.57 million.

Why?

- **Buying Price Inflation:** The average weekly buying cost was £371.64, meaning providers charged high baseline rates (year on year increases which are not sustainable within the current market) emphasized by later market shifts with huge price drops and cash back incentives.
- **Applied Discounts:** £1.22 million in direct discounts to remain competitive.
- **Cashbacks & Promotions:** These are not fully visible in this report but were a major part of partner-driven market distortions.
- **Cancellations:** Over £2.26 million in cancellations impacted the bottom line where a large portion of students booked with us but would cancel at a later stage due to finding better pricing with the provider.

Even with almost full booking capacity, Londonist could not protect its margins due to:

- Uncoordinated undercutting from providers
- Cashback offers bypassing agency channels
- Unilateral short-term letting of rooms by providers
- Aggressive direct campaigns and price dumping against contracted rates



This creates a situation where Londonist bare the risk of long-term nominations — but the providers simultaneously sold the same stock more flexibly or cheaply, distorting the market and disrupting our niche business model

Conclusion

These challenges reinforce the urgent need for commercial realignment and support from our provider partners. Our team has performed exceptionally in delivering bookings and revenue, but the existing agreement structures are no longer fit for purpose in the face of aggressive and contradictory pricing practices.

We are not seeking relief from the market we are seeking fair, commercially rational adjustments so we can continue delivering scale, trust, and value for both students and providers alike.

These provider-driven dynamics resulted in a structural mismatch between committed costs and achievable revenue, which no agency however efficient could mitigate alone. Hence:

- **Concession Request:** A fair realignment of outstanding liabilities, especially where the provider's pricing or marketing actions directly impaired performance.
- **Payment Plan:** For any residual debt, a sensible, phased repayment structure that doesn't further stress your cash flow while you recover margin health.

This is not a failure of performance, but a symptom of flawed market practices and the imbalance of power in nomination agreements that have not evolved to reflect today's realities.

<u>What we also do for stronger future is:</u>

1) High occupancy achieved during extreme price pressure
2) Near-break-even operating cash flow despite margin issues
3) Sales pipeline for 2025/26 remains strong, and systems are in place to secure earlier, better-margin bookings
4) Cost discipline is improving, with tighter controls on discounting, staffing, and admin
5) Operational execution is already stabilizing and correct adjustments are being made.
6) Our team is better positioned, more data-driven, and more experienced
7) Change in business model (shifting to 44 weeks model)
8) Reduction in providers and overall volume of beds in London to navigate the above challenges and consolidate our position the PBSA sector.