

US  
UNITE  
STUDENTS  
BRUNEL  
HOUSE

Capital Markets Day  
**South Quay House, Bristol**

9 October 2018

1. **Trading update and strategy overview**  
Richard Smith, Chief Executive
2. **Delivering continued earnings growth**  
Joe Lister, Chief Financial Officer
3. **Operational excellence and value**  
John Blanshard, Chief Customer Officer &  
Joe Lister, Chief Financial Officer
4. **Portfolio strategy**  
Nick Hayes, Group Property Director
5. **University partnerships**  
Tom Brewerton, University Partnership Director
6. **Summary and Q&A**  
Richard Smith, Chief Executive &  
Joe Lister, Chief Financial Officer
7. **Lunch**
8. **Tour of Brunel House**  
Brian Lloyd-Jones, Investment Director  
Lawrence Rojas, Project Manager  
Frankie O'Connell, Head of Operations





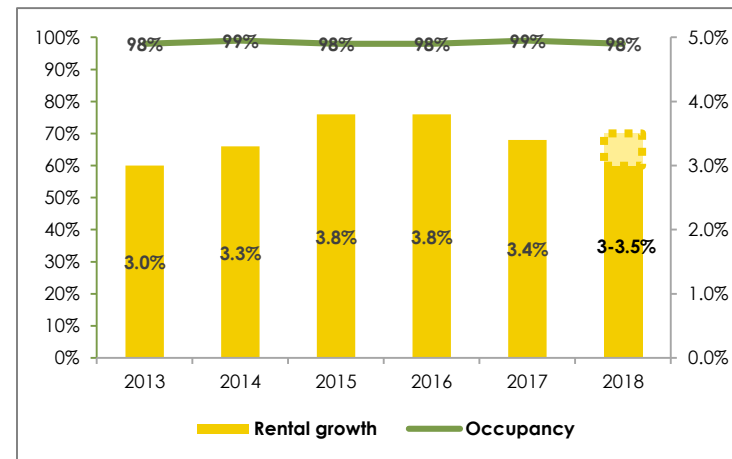


## Trading update and strategy overview

Richard Smith

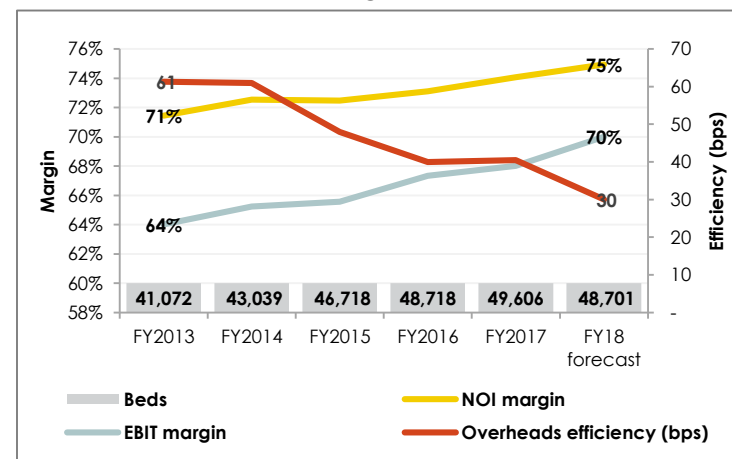
- **Supportive market driving full occupancy and target rental growth**
  - 98% occupancy for 2018/19 academic year
  - Full-year rental growth in line with 3.0 - 3.5% forecast
  - USAF and LSAV Q3 valuations up 1.1% and 1.6%
- **Enhanced portfolio and improved alignment with Universities where demand is strongest**
  - 86% of beds aligned with stronger Universities
  - 7 new buildings opened in September 2018
  - £180 million disposal
- **Strengthened University partnerships**
  - 60% of beds under nominations
  - University partnerships in London and Oxford
  - Active discussions with 10+ Universities
- **Operating platform underpins performance**
  - University and customer satisfaction driving performance
  - Digital improvements driving customer experience
  - Efficiency targets delivering in 2018
  - Further efficiencies targeted – 74% EBIT margin by 2021

Occupancy and rental growth



Source: Unite

Operating efficiency



Source: Unite

# DEMAND FOR UK HE REMAINS STRONG

## ■ Total 2018 enrolments in line with 2017

- Applications continue to outstrip acceptances
- Record participation rates among UK 18-year-olds offsetting demographic decline
- EU student numbers up 2%
- International (non-EU) student numbers up 6%

## ■ Mid and high-tier Universities performing well

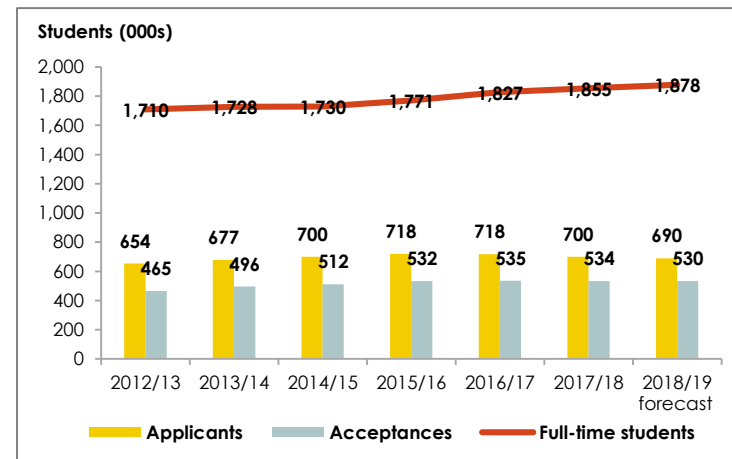
- Segmentation of the market accelerating

## ■ HE Funding Review likely to report in early 2019

## ■ Positive long-term outlook for UK HE

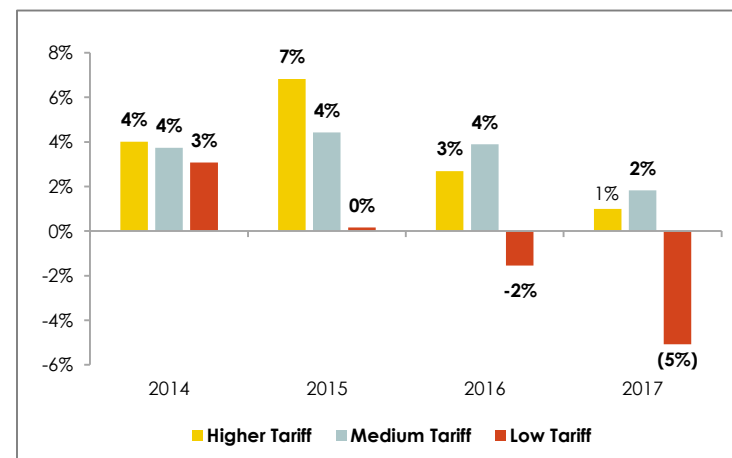
- Globally recognised Universities
- Increasing participation rates
- Reverse in demographic decline from 2021
- UK remains attractive for overseas students
- Growing appeal of PBSA

Full-time student numbers



Source: UCAS, HESA, Unite estimates

University enrolments



Source: UCAS

# A RESILIENT MARKET FOR PBSA

## ■ Market remains undersupplied

- c.750,000 1<sup>st</sup> year and international students
- 615,000 PBSA beds
  - University stock flat
  - New supply slowing

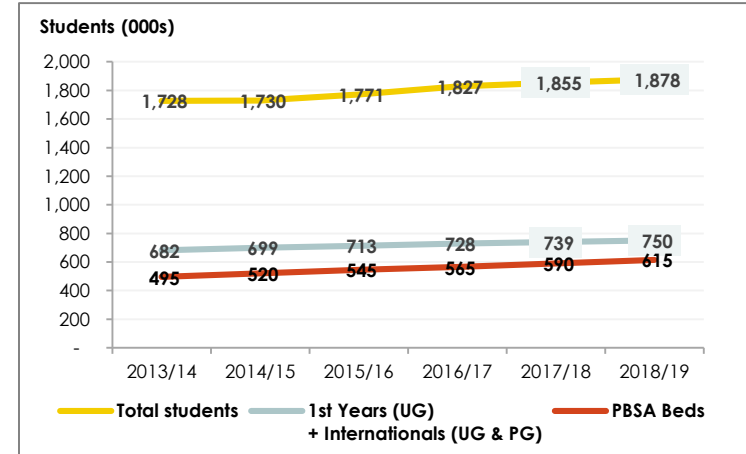
## ■ PBSA increasingly popular among 2<sup>nd</sup> and 3<sup>rd</sup> years

- A market of 900,000 students, many in poor quality HiMO
- HiMO constrained in key cities
  - Tightening regulation
  - Cost differential narrowing
  - University seeking more influence

## ■ Growing awareness of value that PBSA offers

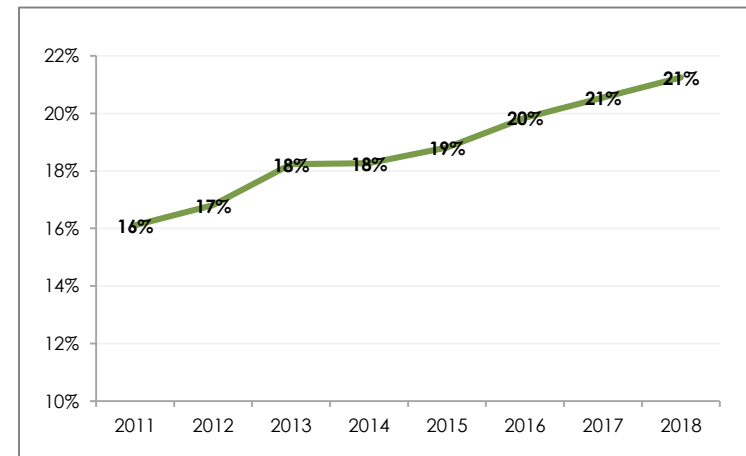
- Quality of property and maintenance
- Deposits and all-inclusive bills
- Welfare services
- Convenience
- Supports increased focus on studying

Students and supply



Source: HESA, Unite

2<sup>nd</sup> / 3<sup>rd</sup> years in PBSA



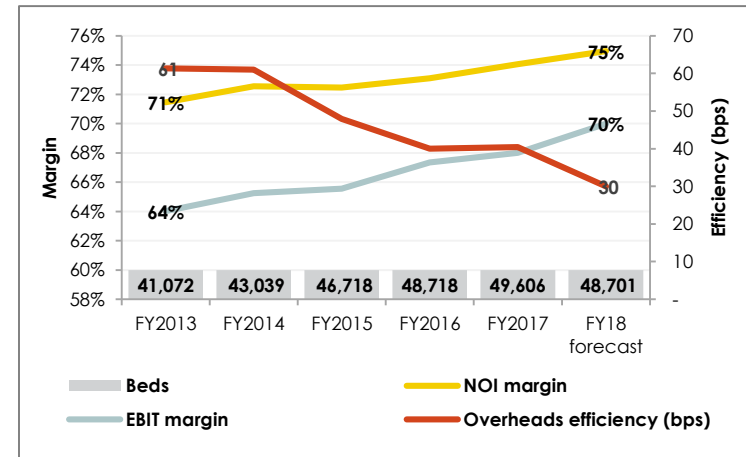
Source: HESA, Unite forecast



# INCREASING FOCUS ON VALUE FOR MONEY

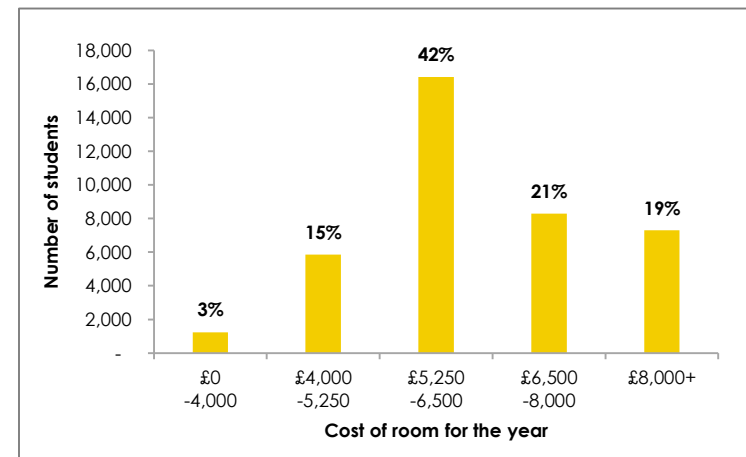
- **Proactively managing portfolio to meet mainstream students' needs**
  - 92% cluster / shared flats
  - Wide range of price points
- **Sustained investment in operating platform and brand**
  - Enabling new efficiency target
  - Supporting improved student experience and services
  - Increased alignment with Universities
- **Addressing affordability through operating excellence and efficiencies**
  - Faster room turnaround creates opportunity
  - Shorter core tenancies
  - Increased flexible tenancies and summer income

Operating efficiency



Source: Unite

Mid-market price point



Source: Unite

# GROWING APPETITE FOR LONG-TERM PARTNERSHIPS

- **Accommodation increasingly important part of Universities' overall proposition**
  - Recognising impact on retention and satisfaction
  - More Universities offering 3-year guarantees to international students
- **Universities under increasing financial pressure**
  - Competition for students
  - Funding Review
  - Pensions changes
- **Universities under scrutiny on student welfare and student satisfaction**
  - DfE's University Welfare Charter and Certificate of Excellence
  - Office for Students and the Teaching Excellence Framework



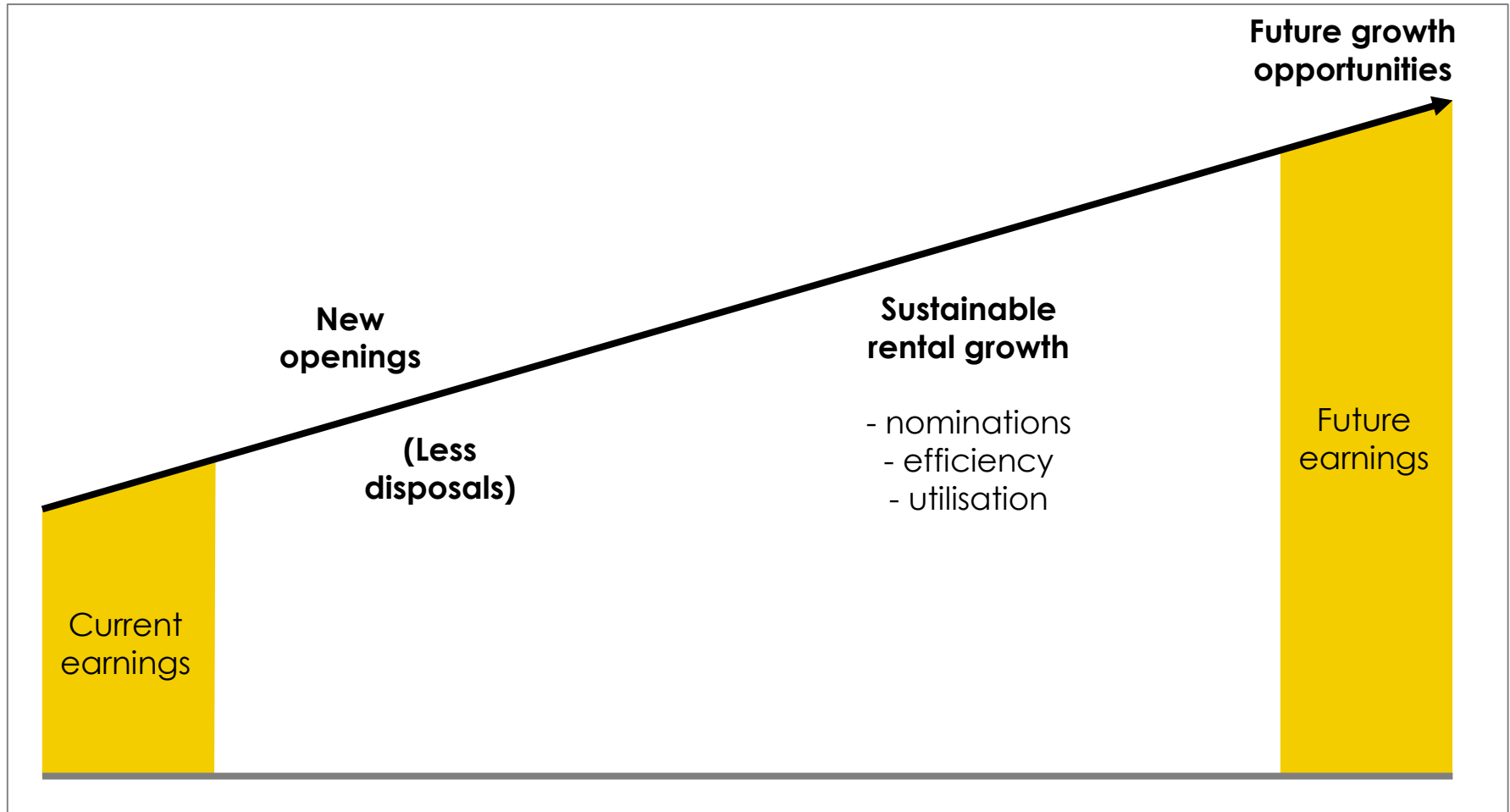


# DRIVING UNITE'S EARNINGS GROWTH

Operational excellence

Portfolio strategy

University partnerships



# YOUR ROOM

**Delivering continued earnings growth**

Joe Lister

# EARNINGS GROWTH OUTLOOK

	PPS	Assumptions / rationale
2018 consensus	34p	
2018 openings full-year impact	2-3p	60% of year 1 income
2019-21 openings	11-14p	Includes lower cost of debt and 35% LTV
NOI growth per annum	1-2p	Based on 2-4% NOI growth; includes efficiencies, utilisation and rental growth
Disposals impact per annum	1-2p	Based on £75-£100m disposals
Overhead growth	-	Assumes gross overhead increase offset by efficiency savings
Interest savings	-	Included in 2019-21 openings



# SECURED DEVELOPMENT AND PARTNERSHIPS PIPELINE

	Type	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Capex in period (£m)	Capex remaining (£m)	Forecast NAV remaining (£m)	Forecast yield on cost
<b>Wholly owned</b>									
Skelthorpe Street, Liverpool	Dev	2019	1,085	94	74	10	39	10	8.0%
Cowley Barracks, Oxford	UP	2019	887	94	73	36	36	13	6.5%
Tower North, Leeds	Dev	2020	928	99	76	2	73	23	8.0%
New Wakefield Street, Manchester	Dev	2020	603	78	56	3	41	10	8.2%
First Way, London	FF	2020	678	119	102	0	102	17	6.0%
Middlesex Street, London <sup>1</sup>	UP	2021	960	250	193	5	188	57	6.3%
Old BRI, Bristol <sup>1</sup>	Dev	2021	751	99	79	0	60	23	8.4%
<b>Total wholly owned</b>			<b>5,892</b>	<b>833</b>	<b>653</b>	<b>56</b>	<b>539</b>	<b>153</b>	<b>7.1%</b>
<b>USAF</b>									
Battery Park, Birmingham	FF	2019	418	43	38	0	29	5	6.3%
Total USAF			418	43	38	0	29	5	6.3%
<b>Unite share of USAF</b>			<b>n/a</b>	<b>11</b>	<b>10</b>	<b>0</b>	<b>7</b>	<b>1</b>	<b>6.3%</b>
<b>Total pipeline (Unite share)</b>			<b>6,310</b>	<b>844</b>	<b>663</b>	<b>57</b>	<b>546</b>	<b>154</b>	<b>7.1%</b>
<b>Average development return</b>									<b>8.1%</b>
<b>Average University partnership return</b>									<b>6.4%</b>
<b>Average forward fund return</b>									<b>6.1%</b>

<sup>1</sup> Subject to obtaining planning consent

Dev: Development  
UP: University Partnership  
FF: Forward fund



# MODELLING UNITE'S BALANCE SHEET

£'m	June 2018	Disposals	Cost to complete	Expected dev't profit	NOI growth <sup>1</sup>	Built-out balance sheet
Investment	2,474					
Development	345					
	2,819	(85)	546	154	250	3,684
Net debt	(770)	85	(546)			(1,231)
Other liabilities	(40)					(40)
	2,009					2,413
NAVps	761p					914p
LTV	27%					33%

<sup>1</sup> Assumes 3% NOI growth for 3 years

- Target EPS yield growth to 5%+



## Operational excellence and value

John Blanshard & Joe Lister



- Our operating platform continues to deliver customer service and develop further efficiencies through:

## OUR PEOPLE



Highly engaged, customer centric teams, with greater levels of ownership and accountability

## OUR SCALE



50,000+ beds creates central efficiency

## OUR TECHNOLOGY



PRISM enabled efficiencies, self-serve and enhanced digital services



# DEVELOPING OPERATIONAL EXCELLENCE

- Using an insight-led approach over the past 3-4 years, we have developed a much deeper understanding of the things that *really matter* to our customers (and the things that don't)

## Our insight sources:



Using insight to inform service design over the last 18 months



YouthSight partnership offering multiple pieces of insight from 130,000 16-30 year olds



Student resilience insight report over the last two years



Annual customer TriM survey



Annual HE engagement surveys



MyUnite app

## Insight themes fed into our three Brand Promises:



Get me settled in

Safe & secure

There when you need us

## Our operational excellence has developed through the lens of our promises





### Our Brand Promises:

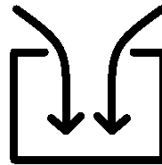


Get me settled in

Safe & secure

There when  
you need us

### ... inform our:



Digital content

Service Style training

University and  
agent partnerships

### ... resulting in:



**The right, tailored  
information  
provided to our  
customers** to help  
them make their  
booking as easy  
as possible

- Progressively making our sales process as effective and efficient as possible



## SALES CHANNELS

Website

Service Centre

China office and international agents

Onsite

University partners

Short-stay team



## RESULTS

### Improvement areas:

From:

To:

Online bookings have increased

20%

26%

Onsite sales have decreased

55%

43%

Nominations business has increased

50%

60%

International sales have increased

14%

23%

Call centre sales have decreased

16%

9%

### 1 Booking a room



Online channels growing

Offer to completion times improving  
2016: 14 days  
2017: 5.5 days  
2018: 3.3 days

Student Ambassadors support sales journey, online chat and Skype tours

### 2 Contact us



33% reduction to our call centre

60% reduction in call wait time during peak periods

100,000 webchats with 97% satisfaction

Social media interaction up 26%

39% reduction in calls relating to check-in and arrival

### 3 Smart check-in



MyUnite app provides welcome information so customers feel less need to contact us

Our 'Check-In' feature allows us to know when to expect student arrivals

53% now check-in online

### 4 Moving in



81% of students feel excited and 61% feel anxious

95% penetration of MyUnite app and the uChat feature helps with anxiety

Student Ambassadors help with welcome support and events

5

### Self-serve



84% view welfare guides

Digital common room

Log maintenance issues

Lockout support

6

### Delivering services



94% first-time fix for maintenance issues

93% Wi-Fi satisfaction

Smart access to laundry services through MyUnite app

7

### Safe & secure



24/7 safety support

Flexibility in staffing structure to suit local needs

8

### Check-out



99% of students deposits were handed back

Only 15 disputes raised of which 12 were upheld at no further cost



# 2018 PERFORMANCE UPDATE

## ■ Another strong sales performance

- 98% occupied for 2018/19
- 3 - 3.5% rental growth achieved

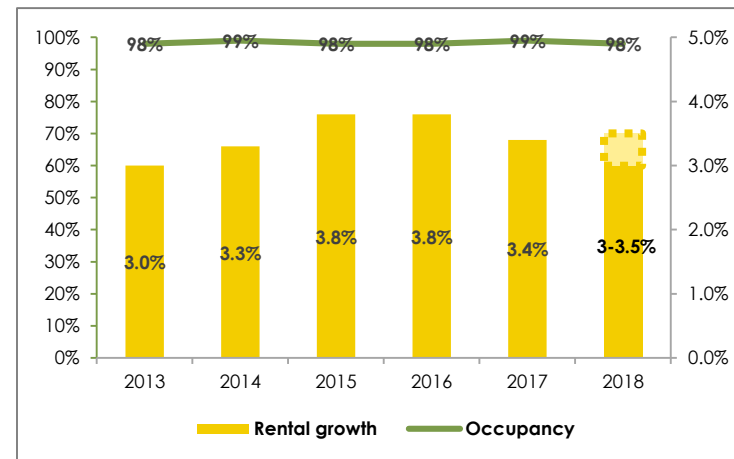
## ■ Delivering efficiency savings targets

- 75% NOI margin
- 25 - 30bps overhead margin
- New EBIT margin target of 74% by 2021

## ■ Further improvements in customer satisfaction and University trust scores

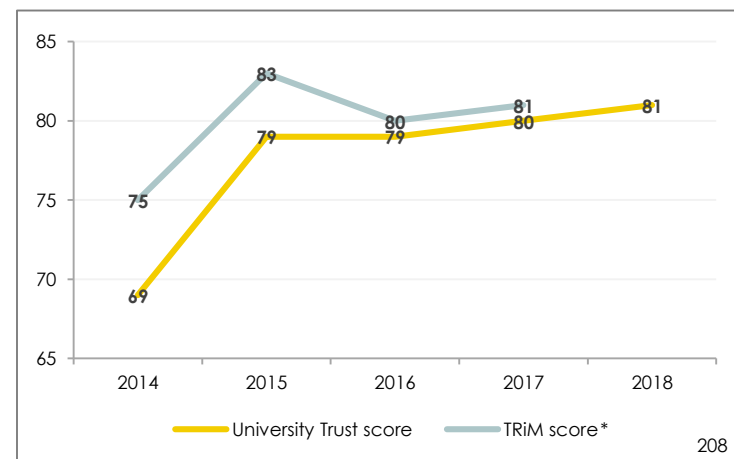
- Highest ever NPS for check-in
- Customer satisfaction in top quartile for European service company

Occupancy and rental growth



Source: Unite

Customer satisfaction and university trust scores



Source: Unite

\* Independent customer satisfaction score – 2018 TRiM due in Q4

- **Nominations agreements underpin rental growth**

- 45% of rooms have annual RPI linkage
- 2019/20 expected to deliver 3 - 4%

- **Enhanced portfolio utilisation will support rental growth**

- Average tenancy length 45 weeks, up 1%
  - 34% – 51 weeks, growing opportunity for internationals and post-graduates
  - 66% – 40 - 44 weeks, nominations
- Utilisation 91%, further opportunity to increase over summer

- **Efficiency enhancements create opportunity**

- Shorter room turnarounds
- Annual maintenance cycle
- More flexible booking system

Rushford Court, Durham



## ▪ Margin improvements – 75% in 2018

- Lower headcount per bed
- Improved maintenance efficiency
- Greater level of self-serve
- Centralisation of activity

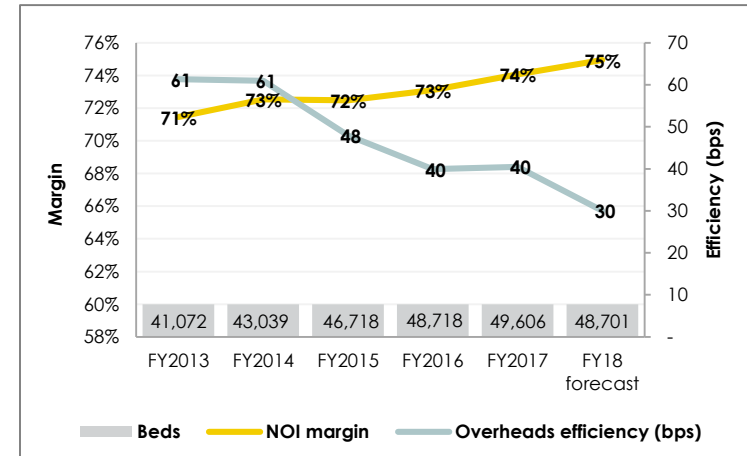
## ▪ Overhead efficiency – 30bps in 2018

- Overhead constant
- Growing assets under management

## ▪ EBIT margin

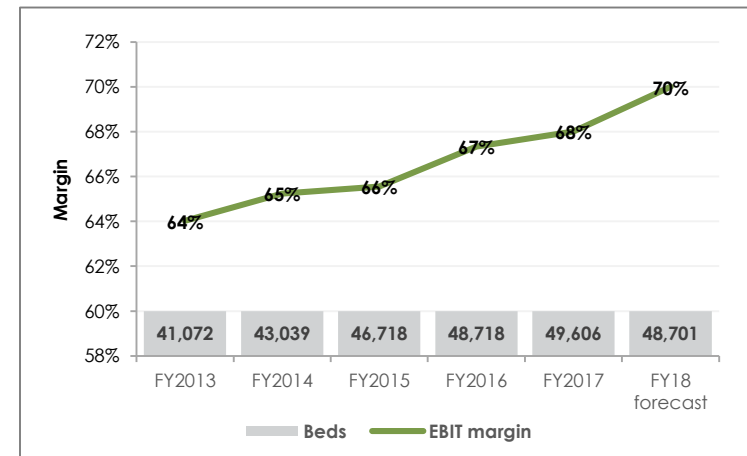
- Target: 74% by 2021
- Further scale efficiencies available
  - o 80% of overheads are fixed
  - o Platform capable of operating 80,000 - 100,000 beds

NOI margin and overhead efficiency



Source: Unite

EBIT margin



Source: Unite





## Portfolio strategy

Nick Hayes



# PORTFOLIO STRATEGY UNDERPINS RENTAL GROWTH

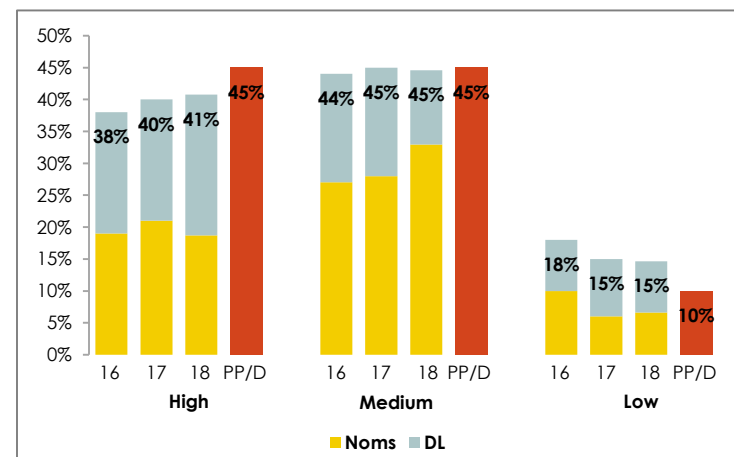
- **Strong development and University partnership pipeline**
  - 3,074 beds opened in 2018
  - 6,310 beds being delivered over next 3 years in strong University cities where demand is high
  - Delivers 11 - 14p of EPS
- **Asset management activity enhances asset quality and supports rental growth**
- **Exposure to high and mid-tier Universities rises to 90% on completion of pipeline**
- **Broader approach to capital allocation**
  - Investments, forward funds, University partnerships and developments
  - London opportunities

2018 new openings

Beds	3,074
Value	£227m
Cost	£182m
Occupancy	98%
Nominations	52%
Nominations length	10 years
NOI	£14.6m

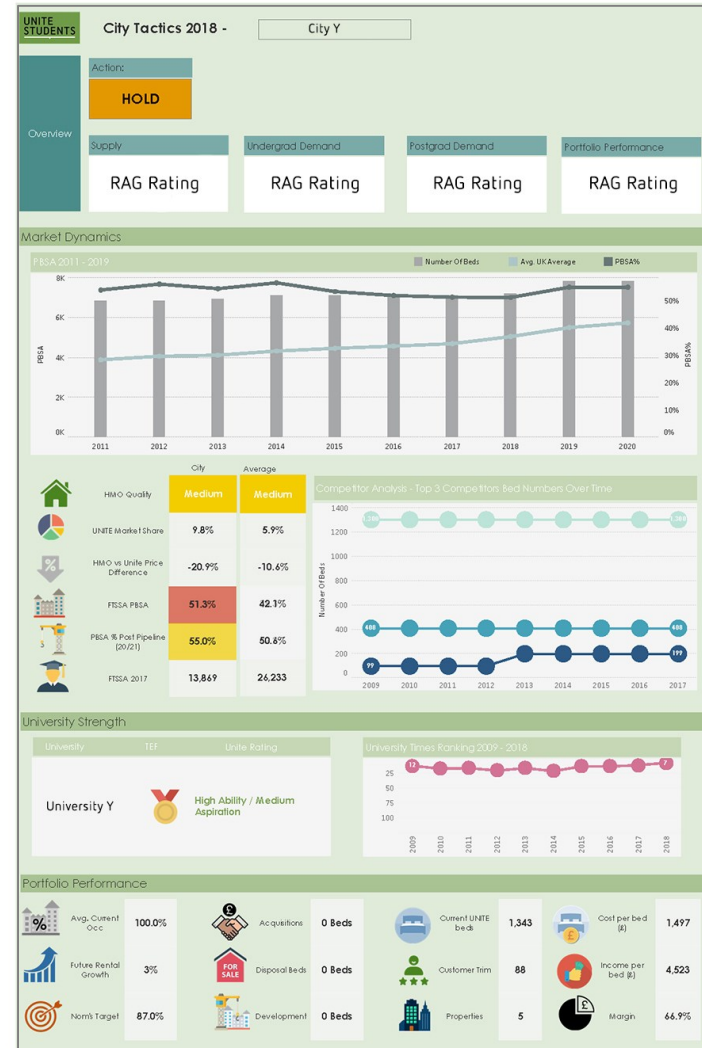
Source: Unite

Alignment by tariff group



Source: Unite, Times ranking

# INSIGHT DRIVEN PORTFOLIO MANAGEMENT



# DISPOSALS SUPPORT ONGOING PORTFOLIO ENHANCEMENT

## ▪ Actively managing quality of portfolio based on insight

- Cities where demand is greatest
- Well located
- Cluster-led
- Affordable

## ▪ Disposals further enhance quality of the portfolio

- Identification of cities with lower-growth outlook
- Assets typically either studio-led or sub-optimal locations

## ▪ Portfolio of 13 properties sold in September for £180 million

- Supports focus on quality portfolio
- Proceeds to fund future pipeline in the best locations

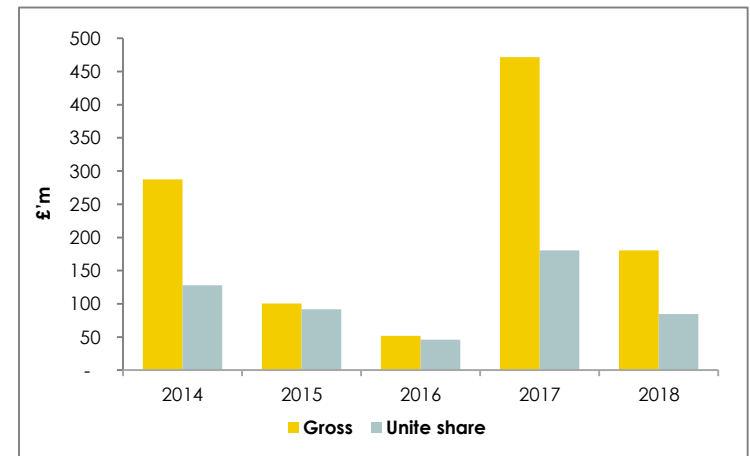
## ▪ Plan to sell £75 - 100 million p.a. to enhance portfolio quality

2018 disposals

City	Beds	Value £m
Plymouth	1,111	54.0
Huddersfield	1,005	47.1
Sheffield	767	32.3
Bristol	231	15.6
Birmingham	175	15.7
London	147	15.8
<b>Total</b>	<b>3,436</b>	<b>180.5</b>
<b>Unite share</b>		<b>84.7</b>

Source: Unite

Historic disposals



Source: Unite

# A MATURING APPROACH TO CAPITAL ALLOCATION

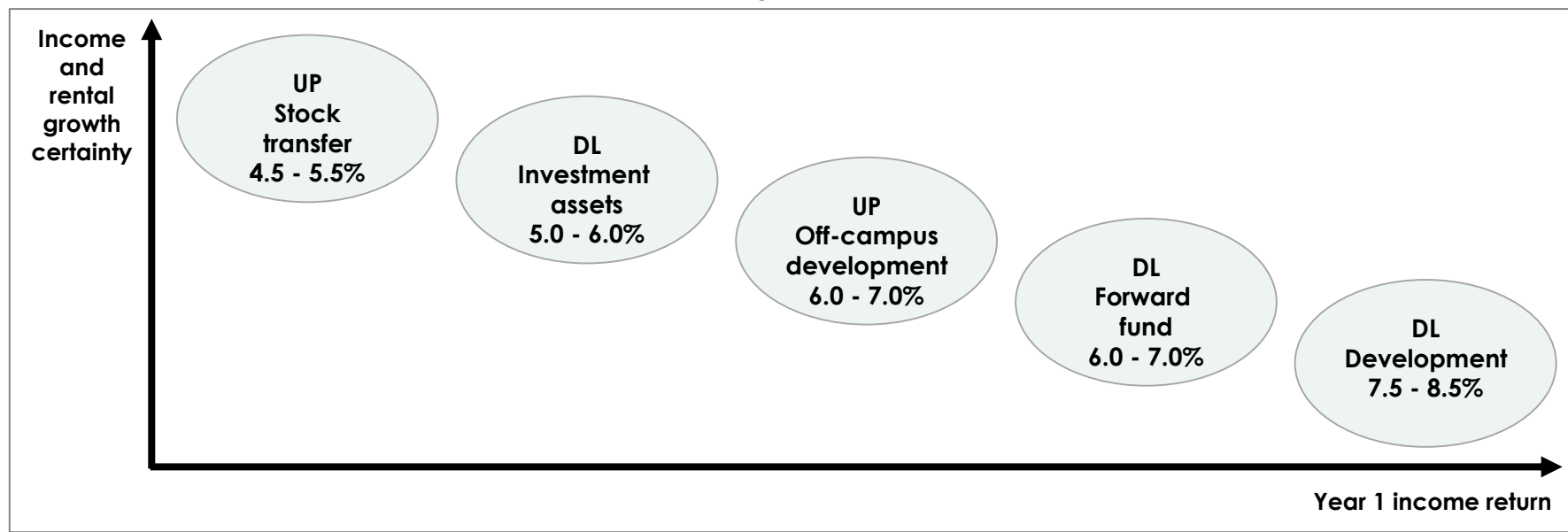
- **Allocating capital across range of opportunities**

- Driving long-term returns and earnings
- Continual enhancement of the portfolio quality
- Risk adjusted return criteria

- **Rental growth adds to income returns**

- Nominations add to rental growth stability

Broader range of opportunities



Source: Unite

UP – University Partnership  
DL – Direct let

# THE LONDON OPPORTUNITY

## ▪ A unique market

- Rated world's most popular destination for international students (THE and Student.com survey)

## ▪ Shortage of affordable supply

- 300,000 students, 81,000 PBSA beds

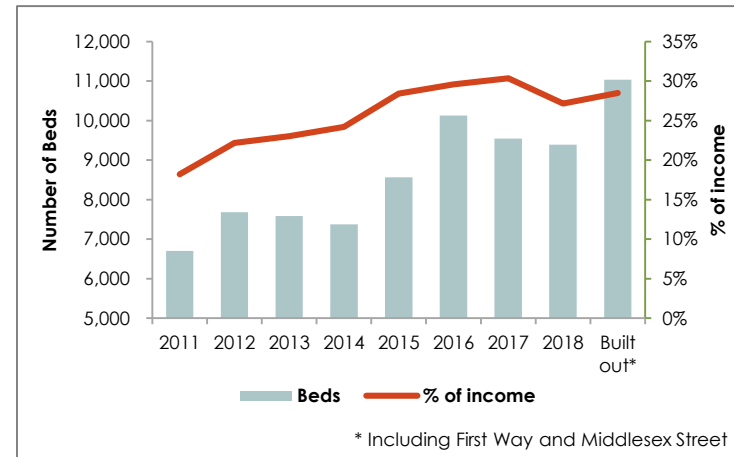
## ▪ London plan expected in 2019

## ▪ Market conditions provide opportunity to extend position as city's leading provider

- c.1,000-bed University partnership development in Middlesex Street; prime central location
- New 678-bed forward-funded development in Wembley for delivery in 2020; creates a 1,377-bed hub in an affordable location with excellent transport links

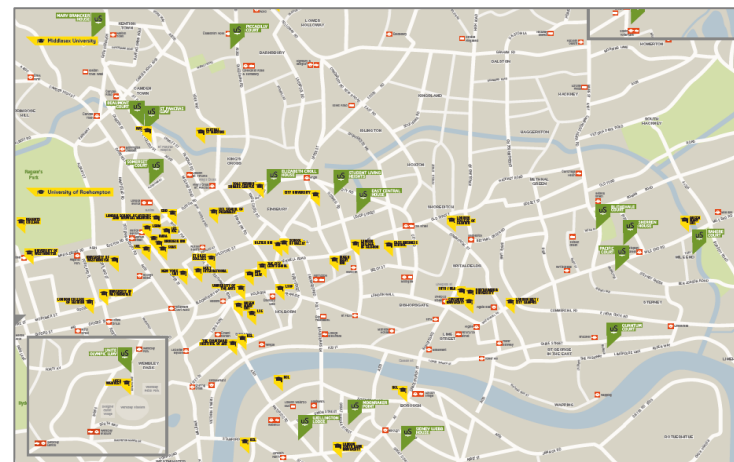
## ▪ On opening, will create a London portfolio of 11,000 beds, accounting for c.40% value

Growth in London portfolio



Source: Unite

Unite Students in London







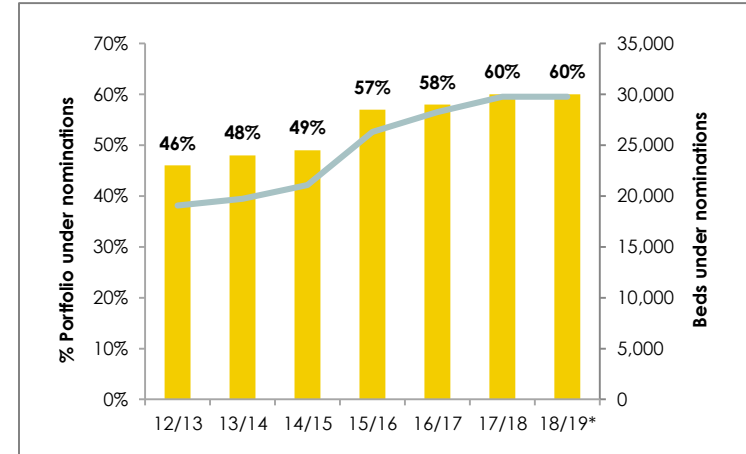
## University partnerships

Tom Brewerton

# A TRUSTED PARTNER FOR UNIVERSITIES

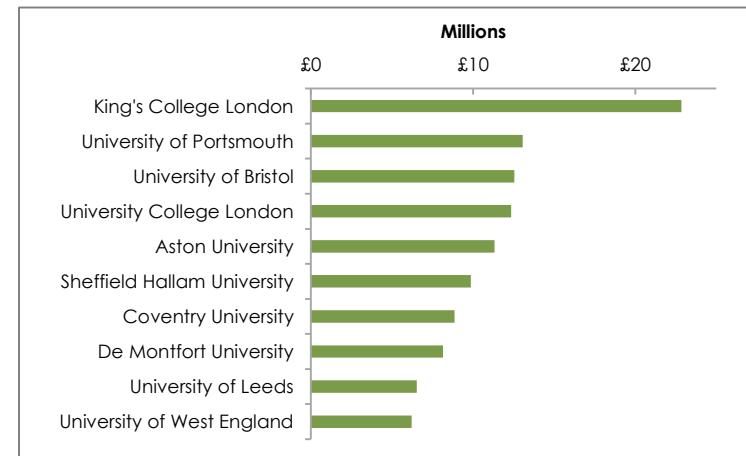
- **60% of beds under nomination agreement for 2018/19**
  - In line with target of 55 - 60%
  - Targeting improving quality over quantity
- **Long-standing investment in University relationships**
- **Focus on high-quality Universities where demand is strongest**
- **University Trust score 81% – highest ever level**

% portfolio under nominations agreements



Source: Unite

Income from top 10 Universities



Source: Unite

# FOCUS ON QUALITY OF NEW AND EXISTING AGREEMENTS

## ■ Good progress improving quality of nominations

- Multi-year agreements with rental guarantee up to 74% (2017: 69%)
- WAULT 6 years (2017: 6 years)
- 2019/20 rental growth of 3.5%+ expected across multi-year agreements

## ■ Significant potential for future growth

- Market for accommodation remains under-supplied
- Affordable, high-quality accommodation important part of Universities' proposition
- Strong relationships at a strategic and operational level makes Unite a preferred supplier

## ■ Targeting 55 - 60% nominations agreement

- Provides income and rental growth stability
- Direct let provides pricing opportunity and homes for 2<sup>nd</sup> / 3<sup>rd</sup> years
- Focus on enhancing quality of agreements – length, rental growth, caps / collars, flexibility

Nominations agreements (18/19)

Agreement length	Beds	%	Rental income	%
Single	7,543	26%	46,956	24%
2-10 years	13,437	46%	94,867	49%
11-20 years	4026	14%	26,687	14%
20+ years	4,099	14%	24,334	13%
<b>Total</b>	<b>29,105</b>		<b>192,843</b>	

Source: Unite



# NEW PARTNERSHIP MODELS – CONTINUED PROGRESS

- Expect to secure 1-2 new projects per year

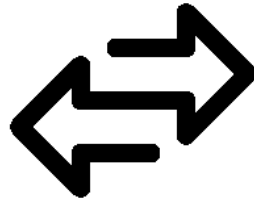


## Off-campus development

Most likely near term growth opportunity

Oxford and London

3 opportunities advancing well



## Stock transfer

Further opportunities being explored – long gestation

Aston

2 opportunities early stage



## On-campus development and new models

Challenging economics and exploring new models



Management model  
Equity share

5+ exploratory discussions





# UNIVERSITY PARTNERSHIPS – OXFORD CASE STUDY

- **887-bed building opening in 2019; fully nominated to Oxford Brookes University on 25-year deal; extends partnership with OBU to 1,350 beds**
  - Strong existing relationship with OBU
  - OBU obliged to meet HiMO targets in order to grow academic estate
  - Highly-constrained land market with significant planning constraints
  - Based on detailed understanding of OBU's position, secured high-quality development site
    - OBU's support vital to planning and obtaining optimal consent
    - Agreement to enter into nominations prior to planning committee
  - Lower development hurdle rate due to 25-year agreement







## Summary and Q&A

Richard Smith & Joe Lister



- **Strong lettings and operational performance for 2018/19**
- **Market fundamentals remain supportive**
- **Sustainable earnings and rental growth**
  - Nominations
  - Utilisation
  - Efficiency – new 2021 target
- **Further growth opportunities**
  - Broadening range of attractive opportunities
  - University partnerships

