

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



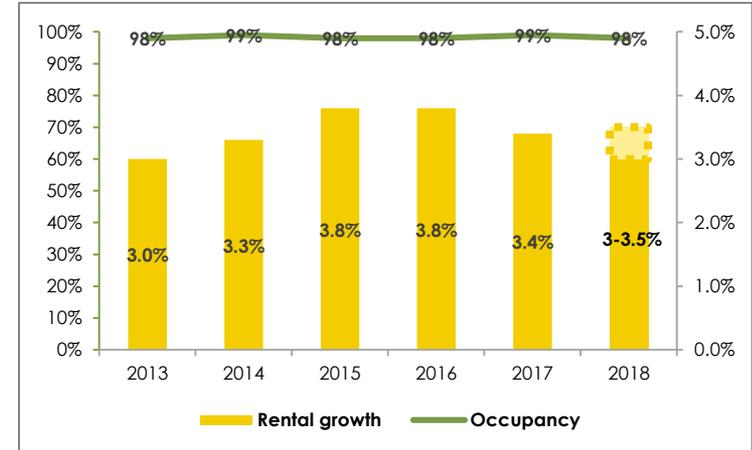


Trading update and strategy overview

Richard Smith

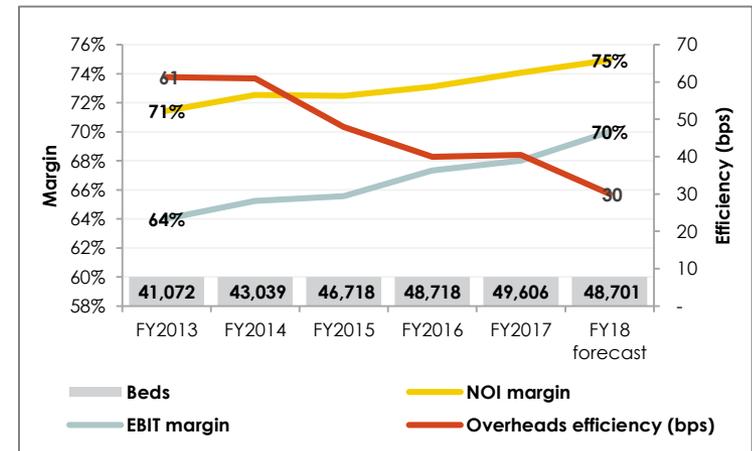
- Supportive market driving full occupancy and target rental growth**
 - 98% occupancy for 2018/19 academic year
 - Full-year rental growth in line with 3.0 - 3.5% forecast
 - USAF and LSAV Q3 valuations up 1.1% and 1.6%
- Enhanced portfolio and improved alignment with Universities where demand is strongest**
 - 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

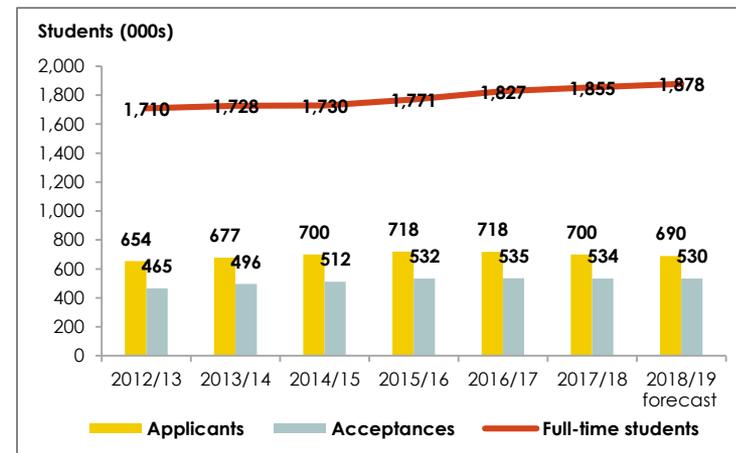
- Segmentation of the market accelerating

■ HE Funding Review likely to report in early 2019

■ Positive long-term outlook for UK HE

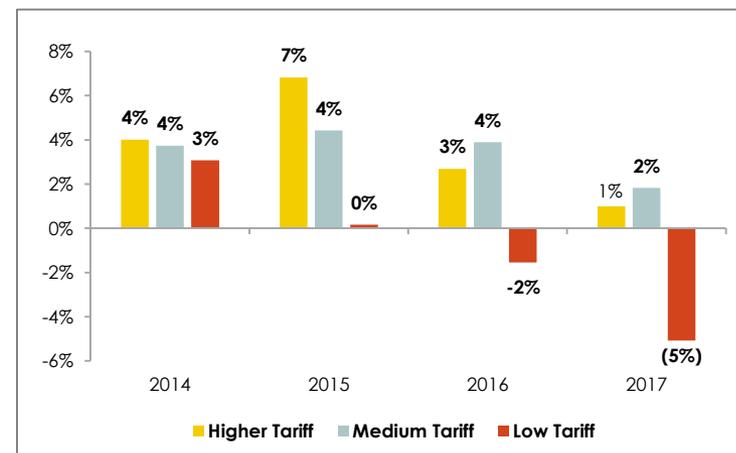
- Globally recognised Universities
- Increasing participation rates
- Reverse in demographic decline from 2021
- UK remains attractive for overseas students
- Growing appeal of PBSA

Full-time student numbers



Source: UCAS, HESA, Unite estimates

University enrolments



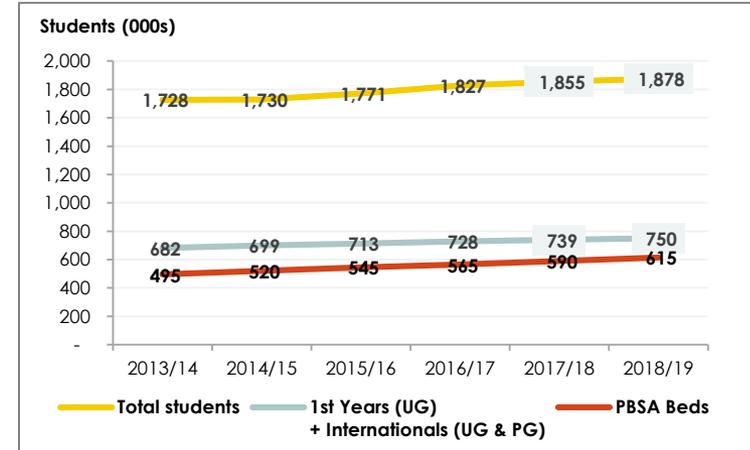
Source: UCAS



A RESILIENT MARKET FOR PBSA

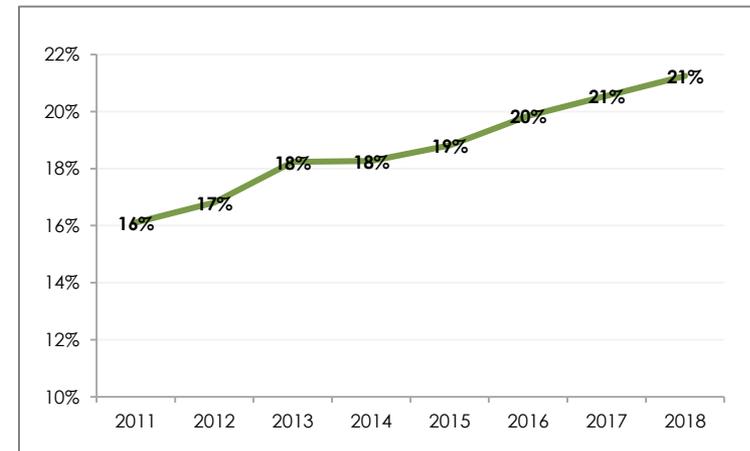
- **Market remains undersupplied**
 - c.750,000 1st year and international students
 - 615,000 PBSA beds
 - University stock flat
 - New supply slowing
- **PBSA increasingly popular among 2nd and 3rd years**
 - A market of 900,000 students, many in poor quality HiMO
 - HiMO constrained in key cities
 - 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

2nd / 3rd years in PBSA



Source: HESA, Unite forecast



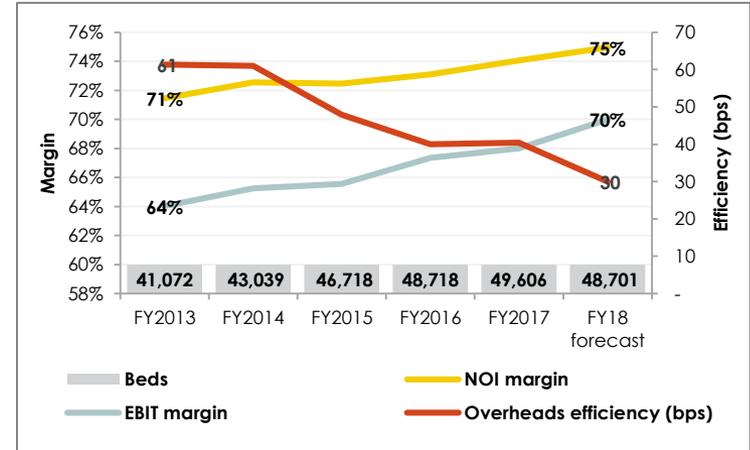
INCREASING FOCUS ON VALUE FOR MONEY

- **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

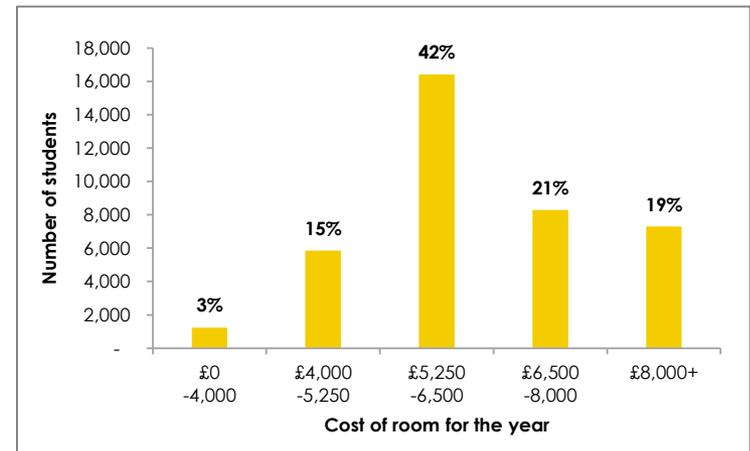
- **Addressing affordability through operating excellence and efficiencies**
 - Faster room turnaround creates opportunity
 - Shorter core tenancies
 - Increased flexible tenancies and summer income

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

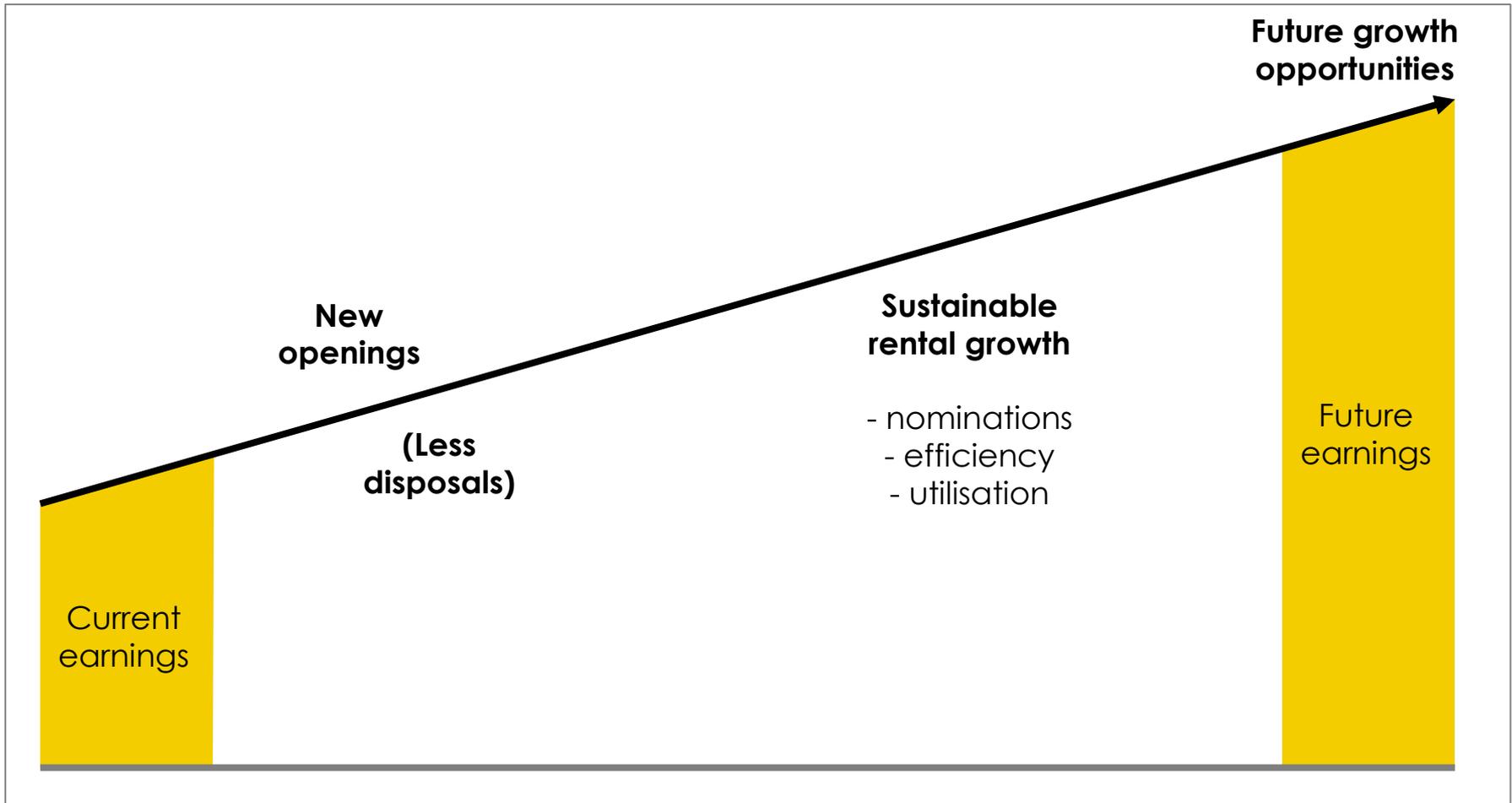


DRIVING UNITE'S EARNINGS GROWTH

Operational excellence

Portfolio strategy

University partnerships



YOUR ROOM

Delivering continued earnings growth

Joe Lister

	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
Wholly owned									
Skelhorne 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 ¹	UP	2021	960	250	193	5	188	57	6.3%
Old BRI, Bristol ¹	Dev	2021	751	99	79	0	60	23	8.4%
Total wholly owned			5,892	833	653	56	539	153	7.1%
USAF									
Battery Park, Birmingham	FF	2019	418	43	38	0	29	5	6.3%
Total USAF			418	43	38	0	29	5	6.3%
Unite share of USAF			n/a	11	10	0	7	1	6.3%
Total pipeline (Unite share)			6,310	844	663	57	546	154	7.1%
Average development return									8.1%
Average University partnership return									6.4%
Average forward fund return									6.1%

¹ 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 ¹	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%

¹ 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+ net creates central efficiency

OUR TECHNOLOGY



PRISM enabled efficiencies, self-serve and enhanced digital services



- 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:



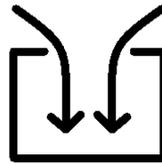
Get me settled in

Safe & secure

There when you need us



... inform our:



Digital content

Service Style training

University and agent partnerships



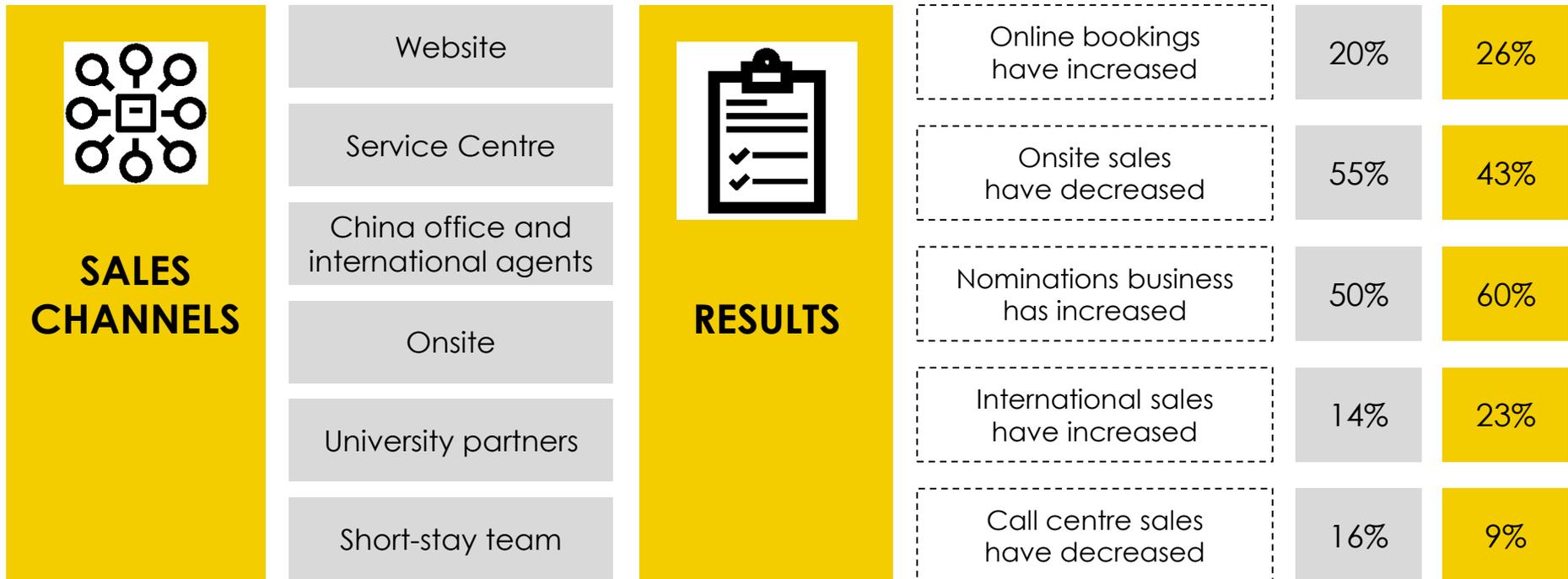
... resulting in:



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



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

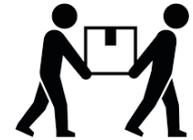


MyUnite app provides welcome information so customers feel less need to contact us

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

■ Another strong sales performance

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

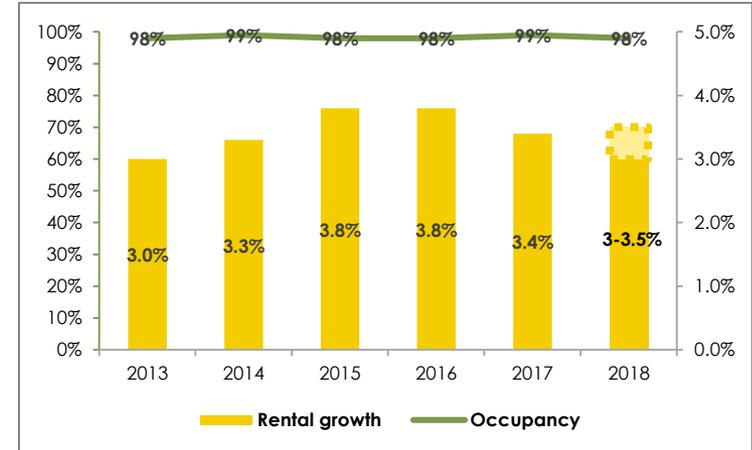
■ Delivering efficiency savings targets

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

■ Further improvements in customer satisfaction and University trust scores

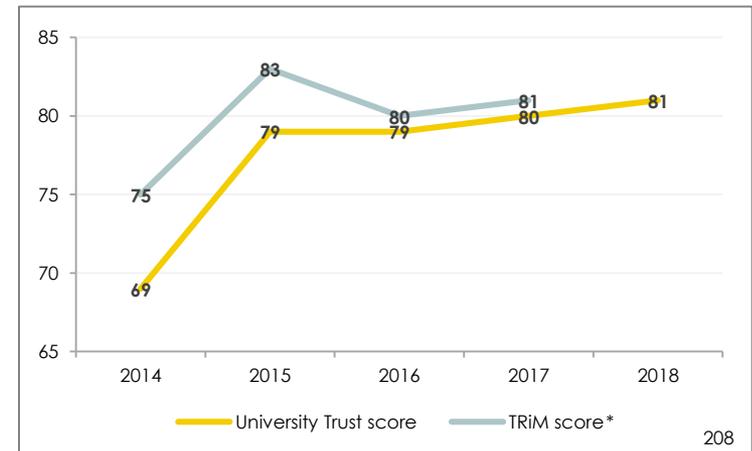
- Highest ever NPS for check-in
- Customer satisfaction in top quartile for European service company

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%
 - o 34% – 51 weeks, growing opportunity for internationals and post-graduates
 - o 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



▪ Margin improvements – 75% in 2018

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

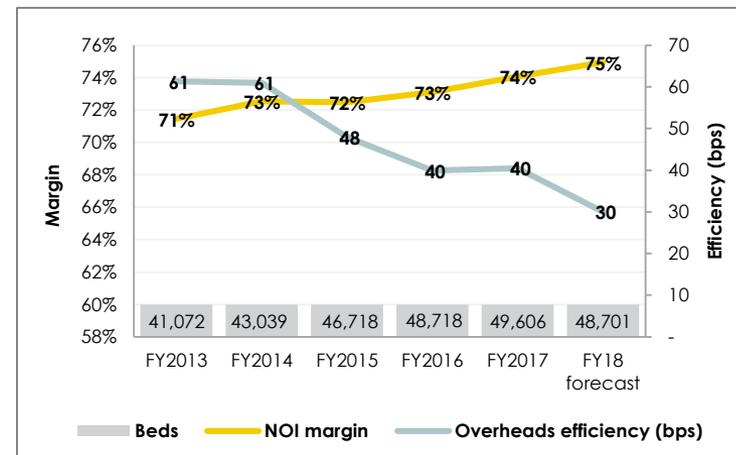
▪ Overhead efficiency – 30bps in 2018

- Overhead constant
- Growing assets under management

▪ EBIT margin

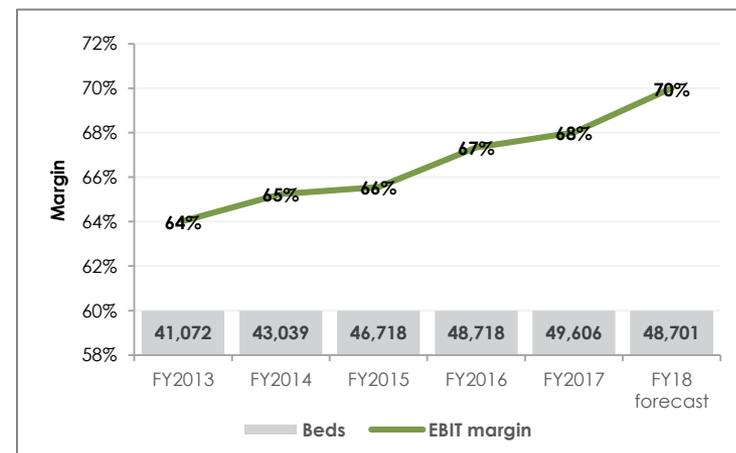
- Target: 74% by 2021
- Further scale efficiencies available
 - o 80% of overheads are fixed
 - o Platform capable of operating 80,000 - 100,000 beds

NOI margin and overhead efficiency



Source: Unite

EBIT margin



Source: Unite



Portfolio strategy

Nick Hayes

PORTFOLIO STRATEGY UNDERPINS RENTAL GROWTH

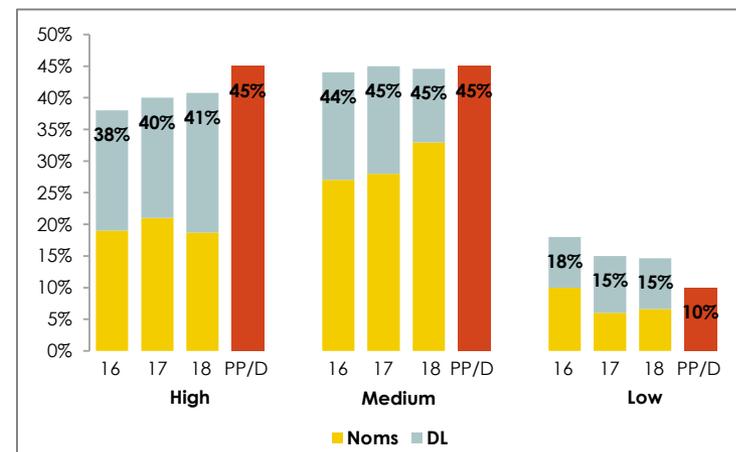
- Strong development and University partnership pipeline**
 - 3,074 beds opened in 2018
 - 6,310 beds being delivered over next 3 years in strong University cities where demand is high
 - Delivers 11 - 14p of EPS
- Asset management activity enhances asset quality and supports rental growth**
- Exposure 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

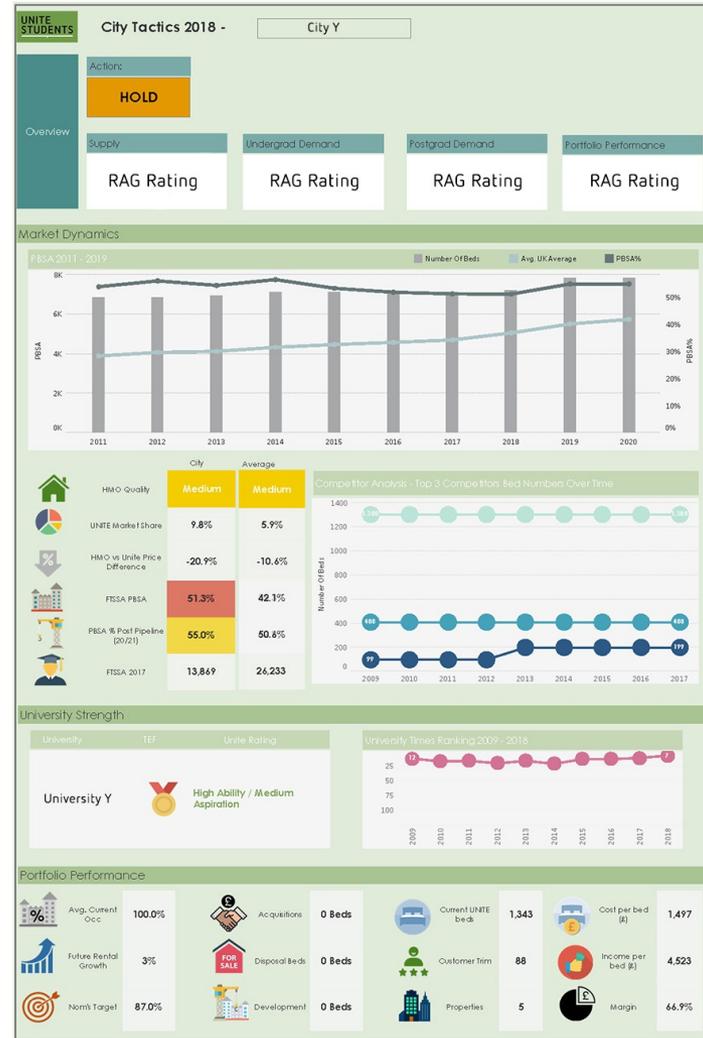
Source: Unite

Alignment by tariff group



Source: Unite, Times ranking





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

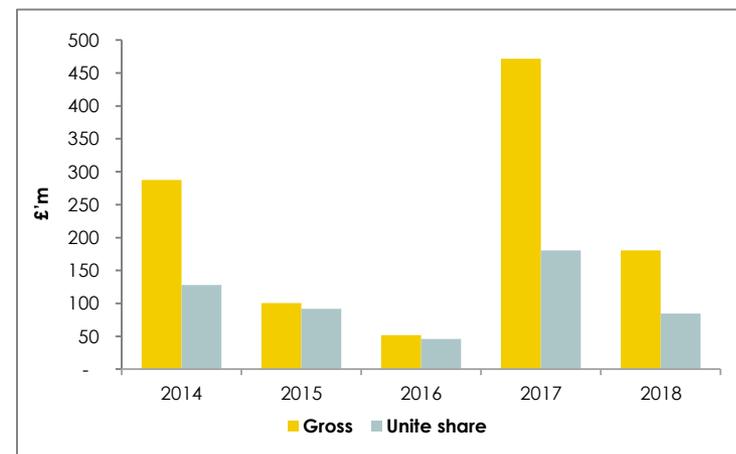
- **Plan to sell £75 - 100 million p.a. to enhance portfolio quality**

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
Total	3,436	180.5
Unite share		84.7

Source: Unite

Historic disposals



Source: Unite



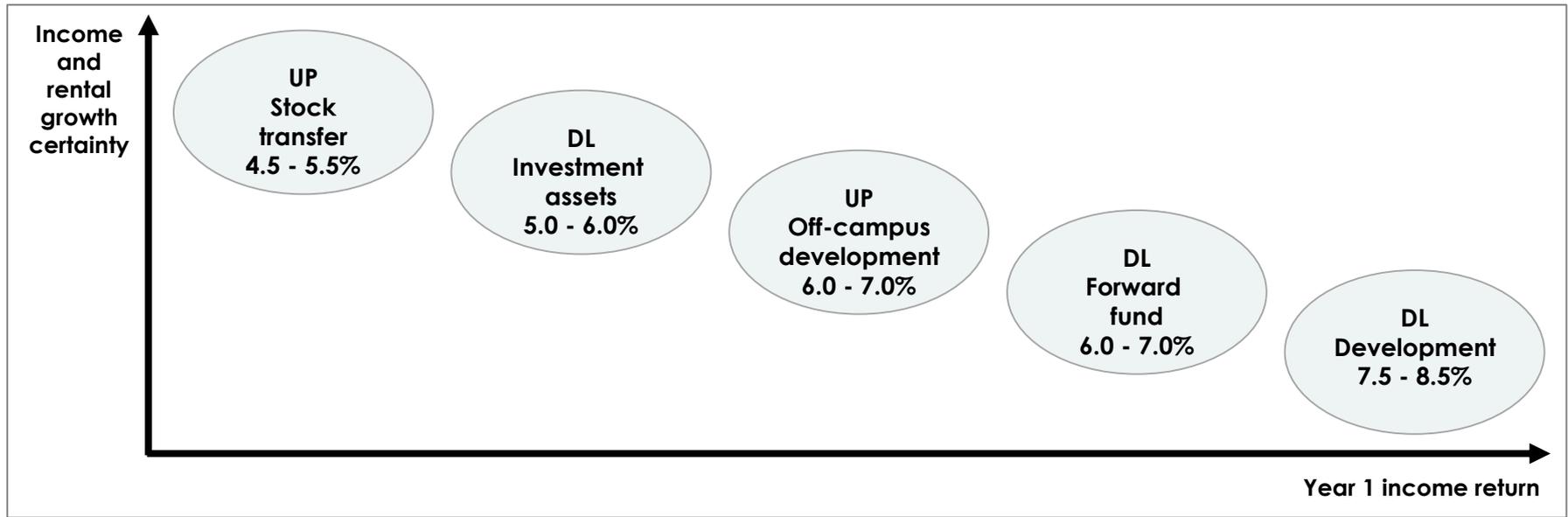
- **Allocating capital across range of opportunities**

- 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

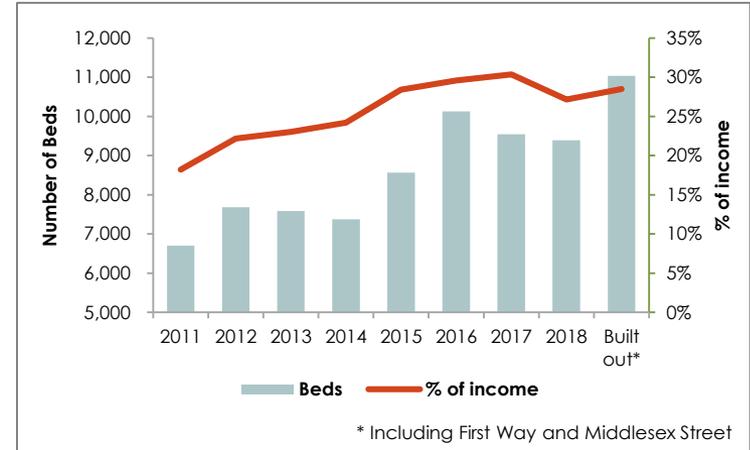


Source: Unite

UP – University Partnership
DL – Direct let

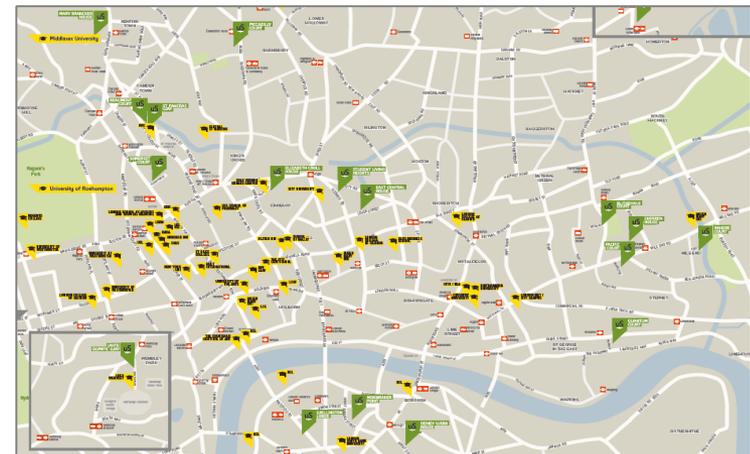
- **A unique market**
 - Rated world's most popular destination for international students (THE and Student.com survey)
- **Shortage of affordable supply**
 - 300,000 students, 81,000 PBSA beds
- **London plan expected in 2019**
- **Market conditions provide opportunity to extend position as city's leading 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





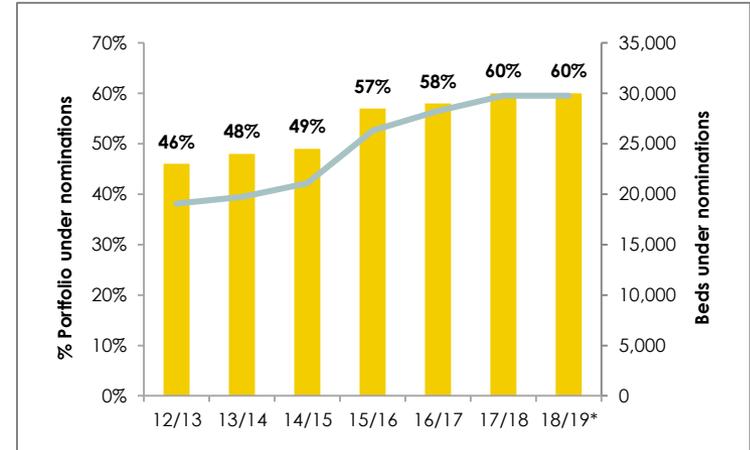
University partnerships

Tom Brewerton

A TRUSTED PARTNER FOR UNIVERSITIES

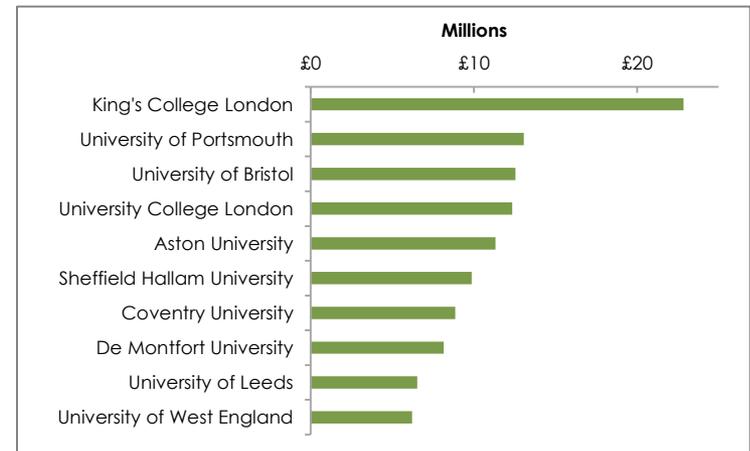
- **60% of beds under nomination agreement for 2018/19**
 - In line with target of 55 - 60%
 - Targeting improving quality over quantity
- **Long-standing investment in University relationships**
- **Focus on high-quality Universities where demand is strongest**
- **University Trust score 81% – highest 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 2nd / 3rd 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%
Total	29,105		192,843	

Source: Unite



NEW PARTNERSHIP MODELS – CONTINUED PROGRESS

- Expect to secure 1-2 new projects per year

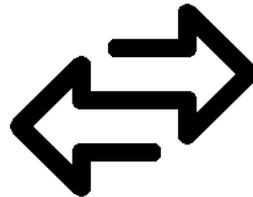


Off-campus development

Most likely near term growth opportunity

Oxford and London

3 opportunities advancing well

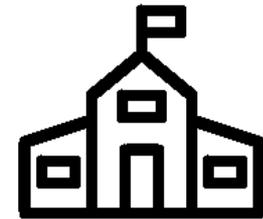


Stock transfer

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

- **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

