

# First-Class Progress Interim Results

Six months ended 30 June 2018



- **Delivering high-quality, sustainable earnings**
  - High-quality income with visible earnings growth prospects
  - 30% growth in dividend
- **Maintaining our market leading platform**
  - Excellent progress with our focus on quality
  - Reservations and nominations at record levels
  - Platform driving differentiation and efficiencies
- **Actively positioning the business for income and future growth**
  - Strong earnings growth outlook
  - Rental growth 3.0 - 3.5%
  - University partnerships
  - Emerging London opportunity
- **Favourable market dynamics**
  - Student numbers remain strong
  - Growing appeal of PBSA

	30 Jun 2018	30 Jun 2017	31 Dec 2017
EPRA Earnings	<b>£52.9m</b>	£40.4m	£70.5m
EPRA EPS	<b>20.7p</b>	18.0p	30.3p
Dividend per share (interim/full year)	<b>9.5p</b>	7.3p	22.7p
EPRA NAVps	<b>761p</b>	669p	720p
Total accounting return	<b>8%</b>	5%	14%
Loan to value	<b>27%</b>	30%	31%
Reservations*	<b>91%</b>	91%	n/a

\* Reservations as at 23 July for 2018/19





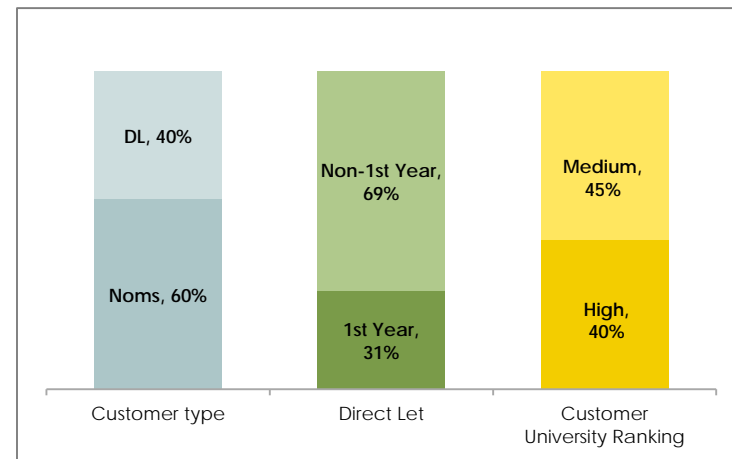


**PERFORMANCE HIGHLIGHTS**

# CLEAR MARKET LEADER

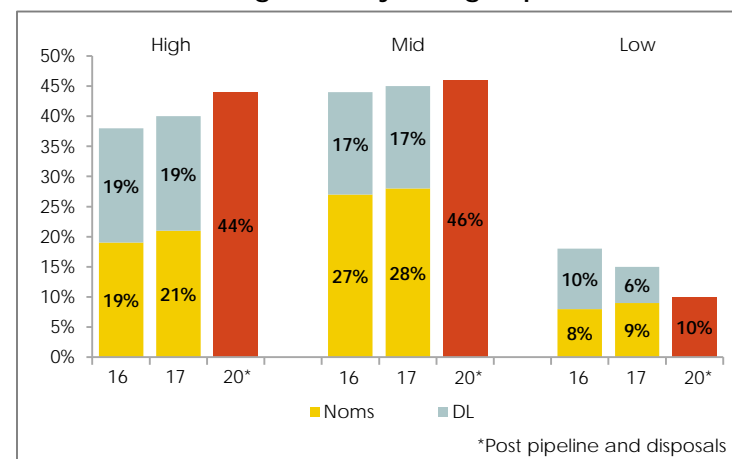
- **Strong sales performance**
  - 91% reserved for 2018/19
  - On track for rental growth of 3.0 - 3.5%
  - China office and website driving sales
- **High-quality portfolio in best locations**
  - 85% aligned to Universities seeing strongest demand
  - Increasing to 90% by 2020
- **Unparalleled University partnerships**
  - 31,000 beds under nominations agreements
  - 3 University partnerships secured
- **Market-leading operating platform**
  - Customer service and University reputation
  - Margin and efficiency targets insight, reviewing further efficiency options
  - Enhanced utilisation and short-stay opportunities
- **Increasing brand and service differentiation**
  - Enhanced app – 96% penetration
  - Student ambassadors
  - Welcome programme

Customer analysis (17/18)



Source: Unite

Alignment by tariff group

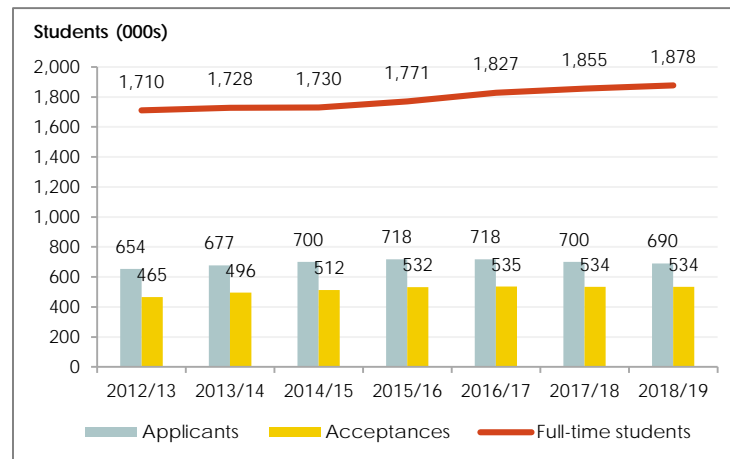


Source: Unite, Times ranking

# SUPPORTIVE MARKET DYNAMICS

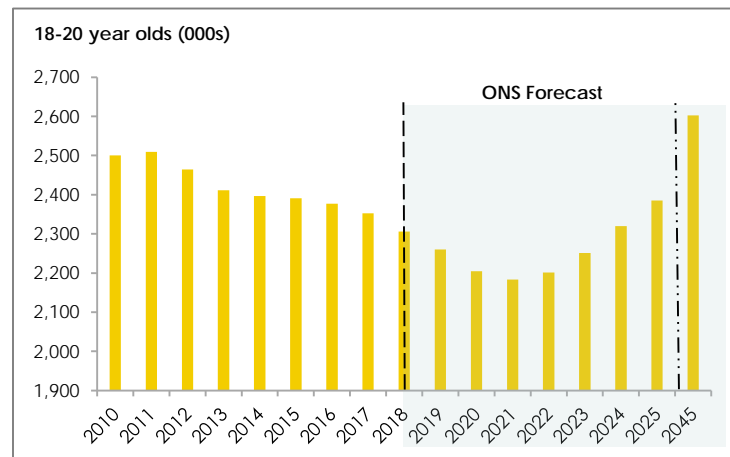
- **UK Higher Education sector performing well**
  - Adapting to political change
  - Consistently strong in global league tables
- **Overall student numbers at record levels**
  - 2018/19 intake expected to be in line with 2017/18
  - International applications up 6%, EU up 2%
  - 18-year old applicants at record levels
- **Medium-term outlook is positive**
  - Participation rates growing
  - More 2<sup>nd</sup> and 3<sup>rd</sup> years in PBSA
  - Demographic decline reverses rapidly from 2021
  - Funding Review underway
- **New supply slowing**
  - Location, product and price is critical

Full-time student numbers



Source: UCAS, HESA, Unite estimates

UK 18-20 demographics



Source: ONS

## ■ Real progress with new opportunities

- Growing appetite from Universities
- Relationships unlocking value
- High-quality institutions
- Long-term income streams
- Universities seeking alternatives to using their own capital
- Exploring new models with University partners

## ■ Improved quality and certainty of income

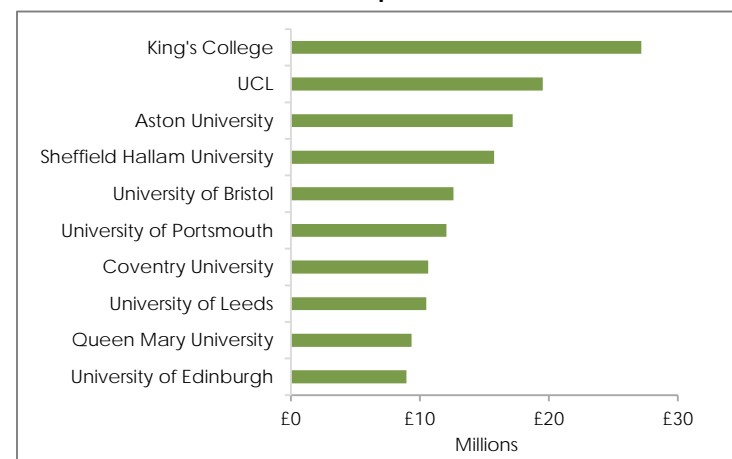
- 60% of 2017/18 beds guaranteed by nominations
- 2,000-bed increase in nominations expected in 2018/19 – to 31,000 beds
- High level of repeat bookings
- Index-linked rental growth

Nominations agreements (17/18)

Length	Beds	% beds	% income
Single year	9,038	31%	29%
2-10 years	12,017	41%	44%
11-20 years	3,783	13%	14%
20+ years	4,225	15%	13%
	29,063	100%	100%

Source: Unite

Income from top 10 Universities



Source: Unite





# STRONG FINANCIAL PERFORMANCE

	% change	30 Jun 2018	30 Jun 2017	31 Dec 2017
<b>Income</b>				
EPRA earnings	31% ↑	£52.9m	£40.4m	£70.5m
EPRA EPS	15% ↑	20.7p	18.0p	30.3p
Dividend per share (interim/full year)	30% ↑	9.5p	7.3p	22.7p
<b>Balance sheet</b>				
EPRA NAVps	6% ↑	761p	669p	720p
Loan to value	n/a	27%	30%	31%
<b>Cash flow</b>				
Operations cash flow	21% ↑	£46.0m	£38.0m	£63.2m
<b>Metrics</b>				
Total accounting return	n/a	7.8%	5.0%	14.0%





# EARNINGS GROWTH MOMENTUM MAINTAINED

	30 Jun 2018 £m	30 Jun 2017 £m	31 Dec 2017 £m
Rental income	101.9	92.4	170.8
Property operating expenses	(23.4)	(21.7)	(44.3)
<b>Net operating income (NOI)</b>	<b>78.5</b>	<b>70.7</b>	<b>126.5</b>
<i>NOI margin</i>	<i>77.1%</i>	<i>76.5%</i>	<i>74.1%</i>
Management fees	7.0	7.5	14.1
Operating expenses	(10.4)	(12.2)	(24.6)
Finance costs <sup>1</sup>	(19.3)	(23.6)	(45.2)
Net performance/acquisition fee	-	0.8	4.3
Development and other costs	(2.9)	(2.8)	(4.6)
<b>EPRA earnings</b>	<b>52.9</b>	<b>40.4</b>	<b>70.5</b>
EPRA EPS	20.7p	18.0p	30.3p
<i>Operating margin</i>	<i>73.7%</i>	<i>71.4%</i>	<i>67.9%</i>

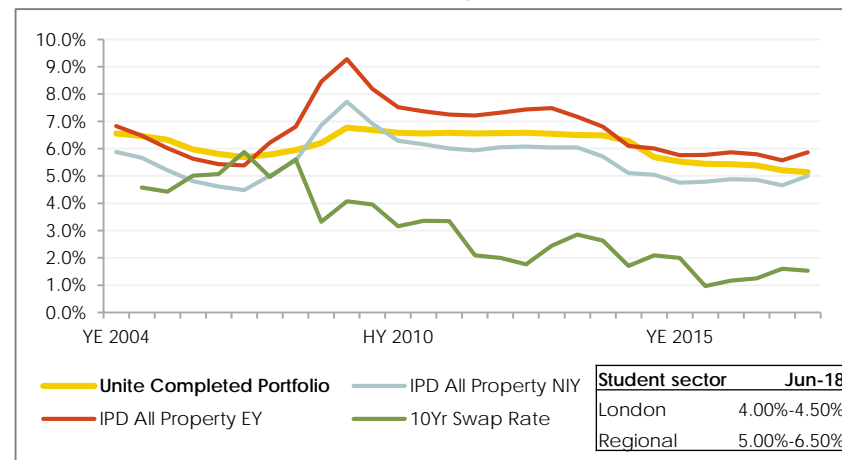
<sup>1</sup> Finance costs include net interest of £13.2m and lease payments of £6.1m on sale and leaseback properties



# DELIVERING TOTAL RETURNS

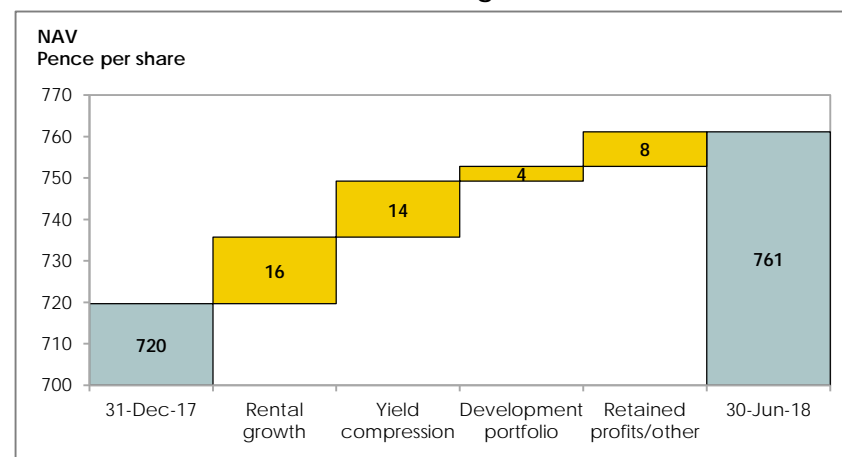
- Transactional demand remains strong
  - £2 billion traded in H1
  - Demand strongest for best assets
- Property growth, supporting income growth
  - Rental growth 3.0 - 3.5%
  - 5bps yield compression to 5.15%
  - £9 million development profit in H1
- Pipeline providing visible source of future growth
  - 15 - 17 pence to EPRA EPS
  - 58 - 63 pence to NAV per share
- Asset recycling to enhance portfolio quality and maintain LTV target

Valuation yields



Source: IPD, Unite

NAV bridge



Source: IPD, Unite

# PIPELINE DRIVING EARNINGS

## ■ 3,075 beds opening in September 2018

- On time and on budget
- 100% aligned to high and mid-ranked Universities
- 55% noms, 9-year average term

## ■ Wider range of future opportunities

- London market
- University partnerships
- Forward funds

## ■ Rate of new supply is slowing

- 50,000-60,000 beds expected over next 3-4 years

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Forecast yield on cost
<b>Wholly owned</b>					
Chaucer House, Portsmouth	2018	484	42	33	8.0%
Newgate Court, Newcastle	2018	575	40	37	8.0%
Brunel House, Bristol	2018	246	32	22	8.5%
St Vincent's, Sheffield	2018	598	49	38	8.2%
International House, Birmingham	2018	586	50	38	8.0%
Skelthorne Street, Liverpool	2019	1,085	94	74	8.0%
Tower North, Leeds	2020	928	99	76	8.0%
New Wakefield Street, Manchester	2020	603	78	56	8.2%
First Way, London	2020	678	119	102	6.0%
Old BRI, Bristol <sup>1</sup>	2021	751	99	79	8.4%
<b>Total wholly owned</b>		<b>6,534</b>	<b>702</b>	<b>555</b>	<b>7.7%</b>
<b>Wholly owned University partnerships</b>					
Cowley Barracks, Oxford	2019	887	94	73	6.5%
Middlesex Street, London <sup>1</sup>	2021	960	250	193	6.3%
<b>Total WO University partnerships</b>		<b>1,847</b>	<b>344</b>	<b>266</b>	<b>6.4%</b>
<b>USAF</b>					
Old Hospital, Durham	2018	363	37	36	6.5%
Houghall Court, Durham	2018	222	20	19	6.2%
Battery Park, Birmingham	2019	418	43	38	6.3%
<b>Total USAF</b>		<b>1,003</b>	<b>100</b>	<b>93</b>	<b>6.4%</b>
<b>Unite share of USAF</b>					
		<b>n/a</b>	<b>25</b>	<b>23</b>	<b>6.4%</b>
<b>Total pipeline (Unite share)</b>		<b>9,384</b>	<b>1,071</b>	<b>844</b>	<b>7.2%</b>

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

# DISCIPLINED APPROACH TO LEVERAGE

## ■ Strong debt position

- Diversified sources and balanced maturity profile
- Refinancing opportunity in 2020
- Cost of debt 3.8% when fully drawn

## ■ LTV reduced to 27%, primarily through equity raise

## ■ Leverage targets maintained at current levels

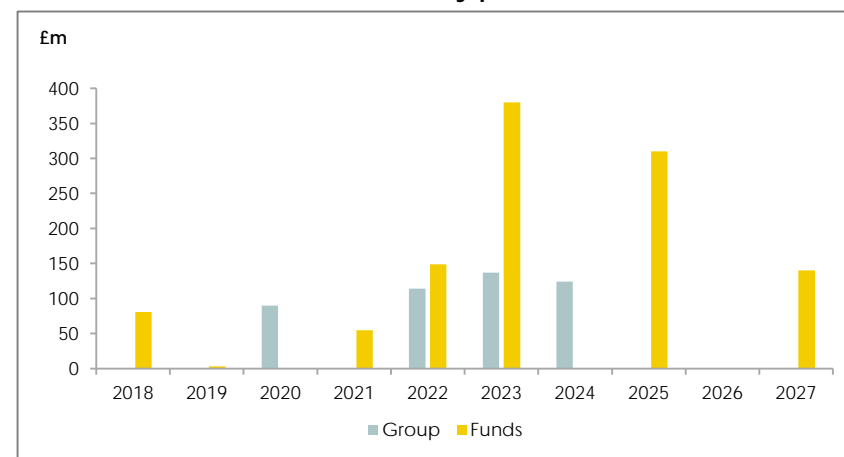
- LTV in mid-30% level
- Net debt:EBITDA less than 7.0x

## ■ Investment grade credit rating BBB (Standard & Poor's) and Baa2 (Moody's)

Key debt statistics (Unite share)

	30 Jun 2018	30 Jun 2017	31 Dec 2017
Net debt	£770m	£696m	£803m
LTV	27%	30%	31%
Cost of debt	4.1%	4.2%	4.1%
Average debt maturity (years)	4.8	5.2	5.3
Proportion investment debt fixed	85%	93%	80%

Debt maturity profile



Source: Unite



# CO-INVESTMENT VEHICLES CONTINUING TO DELIVER

- Strong performance across USAF and LSAV
- USAF forward funds opening in 2018 and 2019
  - £50 million capacity remaining
- LSAV development phase expired
- Recurring asset management fee income
  - Asset management fee £7.0 million (2017: £7.5 million due to asset sales in 2017)
  - No performance fee recognised in H1 2018 (2017: nil)
- Continuing support from co-investment partners
  - £23 million of units traded in H1 at small premium to NAV
  - No redemptions received

## Summary financials

	USAF £m	LSAV £m
GAV	2,314	1,202
Net debt	(642)	(400)
Other assets/liabilities	(19)	(22)
<b>NAV</b>	<b>1,653</b>	<b>780</b>
Unite share of NAV	410	390
LTV	28%	33%
Unite stake	25%	50%
Maturity	Infinite	2022/2027
<b>Unite fees in period</b>		
Asset/property management	5.5	1.5
Acquisition fee/performance fee	-	-
	<b>5.5</b>	<b>1.5</b>

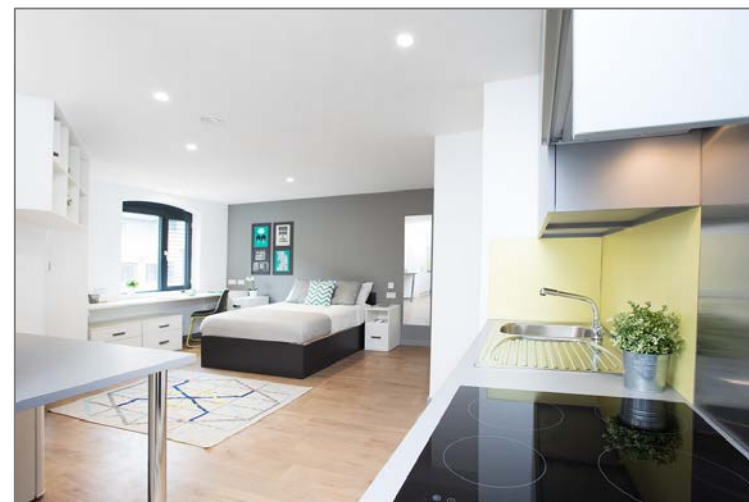
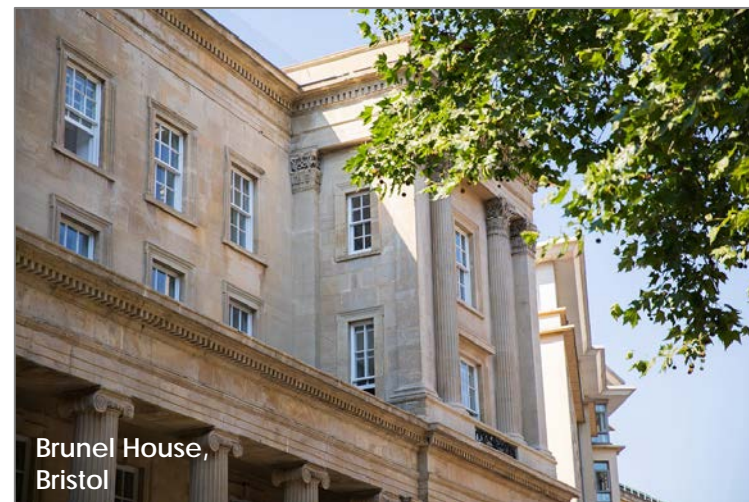




# STRONGLY POSITIONED FOR CONTINUED GROWTH

UNITE  
STUDENTS

- **High-quality income and visible earnings growth**
  - Underpinned by increasing nominations agreements, development pipeline and improved margins
- **High-quality portfolio**
  - Aligned to the strongest universities where intake continues to grow
- **Robust balance sheet**
  - Disciplined approach to managing leverage with LTV target of 30 - 35%
- **Significant progress and future opportunities**
  - University partnerships
  - Growing London opportunity
  - Efficiency
  - Optimisation





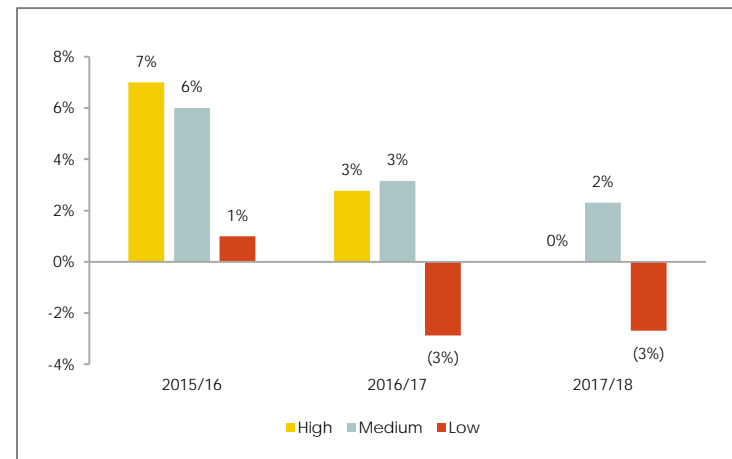




# STUDENT NUMBERS REMAIN STRONG

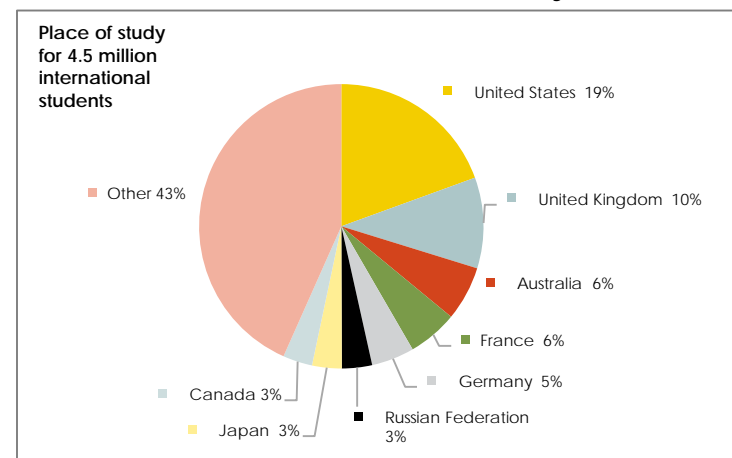
- Student numbers in 2018 expected to be in line with 2017 record levels
- 2018 student intake in line with 2017
  - Participation rates increasing offsetting demographic decline
  - EU applicants up 2%, International up 6%
- Applications and intake strongest at quality Universities
- International student demand remains strong
  - UK remains 2<sup>nd</sup> most popular global destination
  - Limited exposure to EU students
- Introduction of Teaching Excellent Framework
  - Starting to influence students choice

University enrolments



Source: UCAS

International student mobility

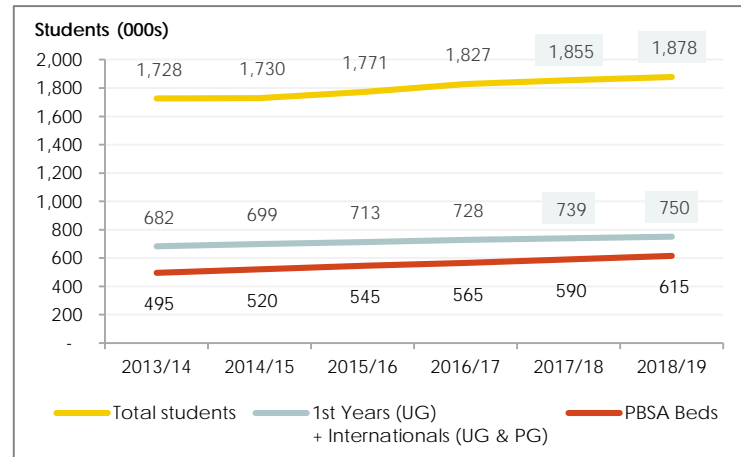


Source: Education at a Glance 2016, OECD

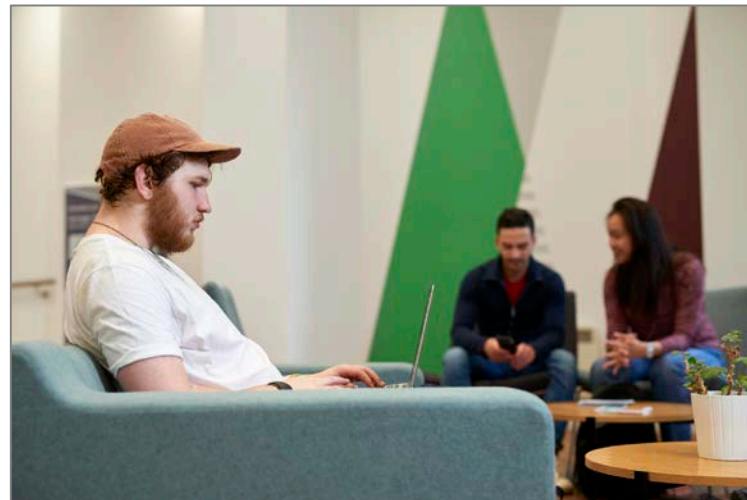
# MARKET REMAINS UNDERSUPPLIED

- 615,000 purpose-built beds for c.750,000 1<sup>st</sup> year and international students
  - 300,000 University owned
  - 315,000 corporately owned
- University stock remains flat
- Corporate supply
  - c.50,000-60,000 expected in next 3-4 years
- Increasing proportion of 2<sup>nd</sup> and 3<sup>rd</sup> years choosing PBSA

Students and supply



Source: HESA, Unite



- Unite remains the largest provider of student accommodation

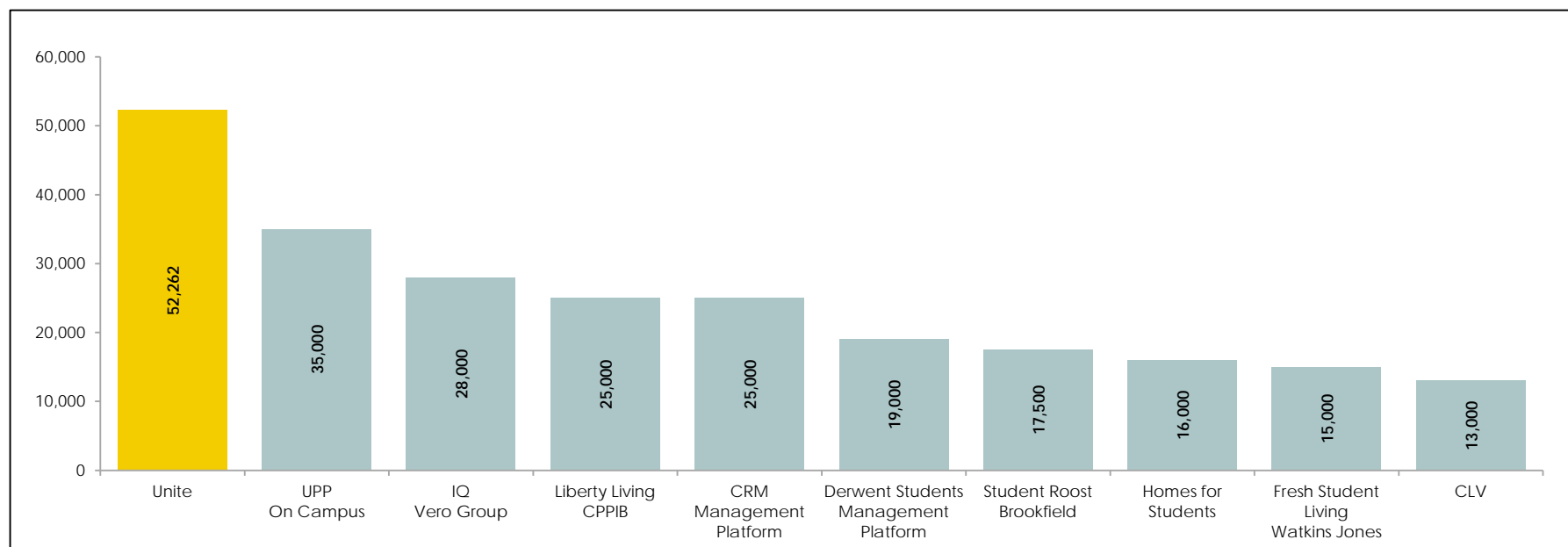


315k corporate beds in the UK (18/19)



50-60k

New beds expected over the next 3-4 years



Source: CBRE, Unite estimates



## ▪ Service enhancements

- Service style
- New digital services
- Student ambassadors

## ▪ Sales channels and revenue management

- Dynamic pricing
  - o 3,500 sales from China office – up 8%
- Range of sales channels
- Improving short-stay capability
- Enhancing asset utilisation

## ▪ System driving efficiencies

- On track to hit 75% NOI margin and 25 - 30bps in 2018
- Reviewing further efficiency options





# PRODUCT AND SERVICE OFFERING

- **All-inclusive pricing**
  - All utilities and services
  - High-speed (70Mbps) Wi-Fi throughout our portfolio
  - 24/7 customer support centre
  - Free communal kitchen and bathroom cleaning
  - 'Living with Unite' app
  - Maintenance teams on hand
- **City-centre locations with range of price points**
  - Close to University campuses
  - Flat shares and studios
  - Range of products and price points
  - Good transport links
- **Direct-let and University contracts**
  - Strong relationships with Universities
  - Direct sales through website
  - Unique online mobile optimised booking system
  - China office fully operational



# OUR TOP 10 MARKETS

2017 rank	City	Completed beds (18/19)	Value of Unite portfolio (18/19)	FT student numbers (15/16)	Market Share
1	London	9,541	39%	299,230	3.2%
2	Sheffield	4,766	8%	51,920	9.2%
3	Birmingham	4,683	8%	60,655	7.7%
4	Bristol	3,725	7%	43,700	8.5%
5	Leeds	3,458	3%	55,345	6.2%
6	Liverpool	3,015	4%	49,155	6.1%
7	Portsmouth	2,706	4%	19,965	13.6%
8	Manchester	2,336	5%	66,990	3.5%
9	Edinburgh	1,700	4%	53,545	3.2%
10	Leicester	1,687	1%	34,990	4.8%
		37,617	82%	735,500	5.1%
Proportion of Unite portfolio		76%	82%		



# SUMMARY EPRA BALANCE SHEET AND INCOME STATEMENT

	Wholly owned £m	USAF (Unite share) £m	LSAV (Unite share) £m	Unite Group Jun 2018 £m	Unite Group Dec 2017 £m
<b>Balance sheet</b>					
Rental properties	1,313	560	601	2,474	2,379
Properties under development	331	14	-	345	216
Total property portfolio/GAV	1,644	574	601	2,819	2,595
Net debt	(410)	(160)	(200)	(770)	(803)
Other assets/(liabilities)	(25)	(4)	(11)	(40)	(52)
EPRA net assets	1,209	410	390	2,009	1,740
LTV	25%	28%	33%	27%	31%
<b>Income statement</b>				<b>2018</b>	<b>2017</b>
Net operating income	46.7	16.1	15.7	78.5	70.7
Overheads less management fees	0.2	(1.8)	(1.8)	(3.4)	(4.7)
Finance costs	(11.9)	(3.0)	(4.4)	(19.3)	(23.6)
Development/other	(2.7)	(0.1)	(0.1)	(2.9)	(2.0)
EPRA earnings	32.3	11.2	9.4	52.9	40.4



		30 June 2018					Unite share
		USAF	LSAV	Wholly owned	Lease	Total	
London	Value (£m)	363	947	489	-	1,799	1,052
	Beds	1,886	5,406	1,989	260	9,541	43%
	Properties	7	13	6	1	27	
Major provincial	Value (£m)	1,584	256	581	-	2,421	1,102
	Beds	18,553	3,067	7,000	2,577	31,197	45%
	Properties	51	1	16	7	75	
Provincial	Value (£m)	311	-	243	-	554	320
	Beds	4,804	-	3,336	1,059	9,199	13%
	Properties	16	-	9	3	28	
Total	Value (£m)	2,258	1,203	1,313	-	4,774	2,474
	Beds	25,243	8,473	12,325	3,896	49,937	100%
	Properties	74	14	31	11	130	
Unite ownership share		24.8%	50%	100%	-		
	Value (£m)	560	601	1,313	-	2,474	



# DEBT FACILITIES

## On-balance sheet

	Facility £m	Drawn £m	Maturity
<u>Secured</u>			
Legal + General	114	114	2022
Mass Mutual	124	124	2024
<u>Unsecured</u>			
Retail Bond	90	90	2020
HSBC/RBS	350	137	2023
Total	678	465	

## Co-investment vehicles

	Facility £m	Drawn £m	Maturity
<u>USAF</u>			
Secured bond	690	690	2023-25
Wells Fargo	100	-	2021
	790	690	
<u>LSAV</u>			
HSBC	81	81	2018
RBS	3	3	2019
Wells Fargo	55	55	2022
L&G	149	149	2022
Teachers RE	140	140	2027
	428	428	





	Jun 2018 £m	Jun 2017 £m	Dec 2017 £m
IFRS net assets	1,995	1,599	1,729
Mark to market on fixed rate debt	(45)	16	(55)
EPRA NNNAV	1,950	1,615	1,674
EPRA NNNAV per share	739pps	668pps	692pps



## Responsibility

- HE Insight Reports
- Mental health training
- The Leap
- FTSE4Good
- GPR Sustainable GRES Index

## Environmental impact

- £30 million invested into energy reduction initiatives – 5-year payback
- Leading contributor to NUS Green Impact awards
- GRESB Green Star, MSCI 'AA' rating

## Diversity

- Women's network
- 43% of senior leaders are female
  - Targeting 50% by 2020
- 50% of workforce are women
- Lead sponsor of Bristol Pride

## Social impact

- Unite Foundation supports widening participation and social mobility
- £1 million raised for charities in last 3 years
- BHF donation stations
- Support IntoUniversity to help widening participation



# SECURED DEVELOPMENT AND PARTNERSHIPS PIPELINE

	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>								
Chaucer House, Portsmouth	2018	484	42	33	9	2	2	8.0%
Newgate Court, Newcastle	2018	575	40	37	14	3	3	8.0%
Brunel House, Bristol	2018	246	32	22	7	1	1	8.5%
St Vincent's, Sheffield	2018	598	49	38	17	4	3	8.2%
International House, Birmingham	2018	586	50	38	11	3	3	8.0%
Skelthorpe Street, Liverpool	2019	1,085	94	74	10	39	10	8.0%
Tower North, Leeds	2020	928	99	76	2	73	23	8.0%
New Wakefield Street, Manchester	2020	603	78	56	3	41	10	8.2%
First Way, London	2020	678	119	102	0	102	17	6.0%
Old BRI, Bristol <sup>1</sup>	2021	751	99	79	0	60	23	8.4%
<b>Total wholly owned</b>		<b>6,534</b>	<b>702</b>	<b>555</b>	<b>73</b>	<b>328</b>	<b>95</b>	<b>7.7%</b>
<b>Wholly owned University partnerships</b>								
Cowley Barracks, Oxford	2019	887	94	73	36	36	13	6.5%
Middlesex Street, London <sup>1</sup>	2021	960	250	193	5	188	57	6.3%
<b>Total wholly owned University partnerships</b>		<b>1,847</b>	<b>344</b>	<b>266</b>	<b>41</b>	<b>224</b>	<b>70</b>	<b>6.4%</b>
<b>USAF</b>								
Old Hospital, Durham	2018	363	37	36	10	5	1	6.5%
Houghall Court, Durham	2018	222	20	19	5	5	1	6.2%
Battery Park, Birmingham	2019	418	43	38	0	29	5	6.3%
<b>Total USAF</b>		<b>1,003</b>	<b>100</b>	<b>93</b>	<b>15</b>	<b>39</b>	<b>7</b>	<b>6.4%</b>
<b>Unite share of USAF</b>		<b>n/a</b>	<b>25</b>	<b>23</b>	<b>4</b>	<b>10</b>	<b>2</b>	<b>6.4%</b>
<b>Total pipeline (Unite share)</b>		<b>9,384</b>	<b>1,071</b>	<b>844</b>	<b>119</b>	<b>561</b>	<b>167</b>	<b>7.2%</b>

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

