



## Maintaining Momentum Preliminary Results

Year ended 31 December 2018

# ANOTHER SUCCESSFUL YEAR

## ■ High-quality earnings and strong capital structure

- EPRA earnings up 25%
  - o Dividend increased 28%, 85% payout ratio
- 13% total accounting return
- LTV of 29%

## ■ Sustainable growth in earnings and cash flows

- 90% of portfolio aligned to strongest Universities
- 60% nominations, 6 years duration
- Rental growth and secured pipeline adds 13p to 17p on completion
- Significant progress with University partnerships, two deals and 10 active discussions
- Operating platform and further efficiencies underpin 74% EBIT margin target by 2021

## ■ Supportive market dynamics

- Student demand robust
- Record reservations for 19/20 academic year
- Confident in rental growth outlook of 3.0 - 3.5%

	31 Dec 2018	31 Dec 2017	Change
EPRA earnings	<b>£88.4m</b>	£70.5m	<b>+25%</b>
EPRA EPS	<b>34.1p</b>	30.3p	<b>+13%</b>
Dividend per share	<b>29.0p</b>	22.7p	<b>+28%</b>
EPRA NAVps	<b>790p</b>	720p	<b>+10%</b>
Total accounting return	<b>13%</b>	14%	
Loan to value	<b>29%</b>	31%	
EBIT margin	<b>71%</b>	68%	
Reservations*	<b>75%</b>	75%	

Source: Unite

\* Reservations as at date of results announcement





OUR STUDY

**PERFORMANCE HIGHLIGHTS**

# BUSINESS IN STRONG POSITION

UNITE  
STUDENTS

## ■ Strong sales performance

- 98% occupancy for 2018/19 with 3.2% rental growth
- 75% reserved for 2019/20 (2018/19: 75%)
- Confident in rental growth outlook of 3.0 - 3.5%

## ■ High-quality portfolio in best locations

- 90% aligned to strongest Universities
- Three new nominations with top-25 Universities

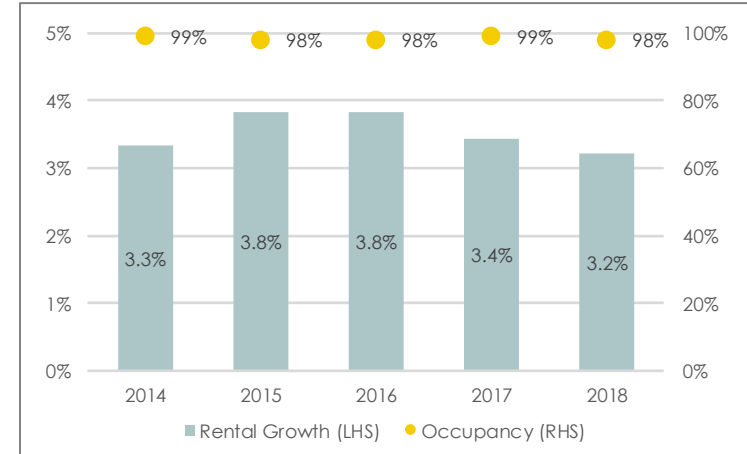
## ■ Market-leading operating platform

- Record results in student and University surveys
- Technology enabling more efficient check-in and summer turnaround
- Enhancing asset utilisation

## ■ Platform driving sector-leading efficiency

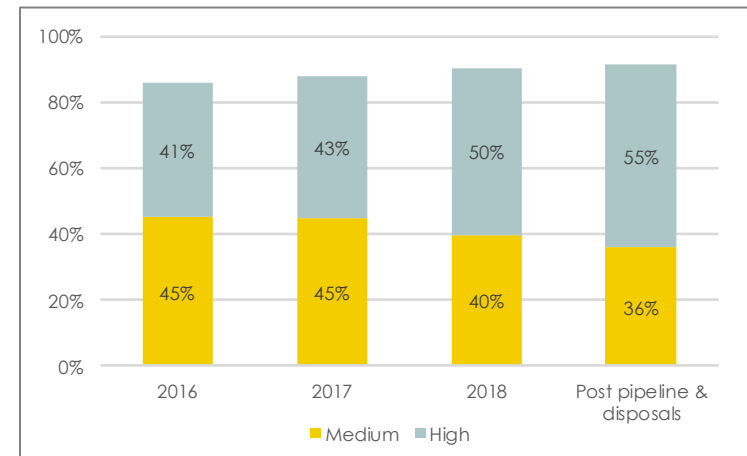
- Delivered 75% NOI margin and 30bps efficiency target
- 74% EBIT target by the end of 2021

Five-year occupancy and rental growth



Source: Unite

University alignment by tariff group



Source: Unite, 2019 Times rankings

# MARKET REMAINS SUPPORTIVE

## ■ 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 533,000 (696,000 applications)
  - o Record participation rate
- 2019/20 applications up 0.4% with stronger growth for core customer segments

## ■ 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
  - o Potential c.80,000 additional students by 2025

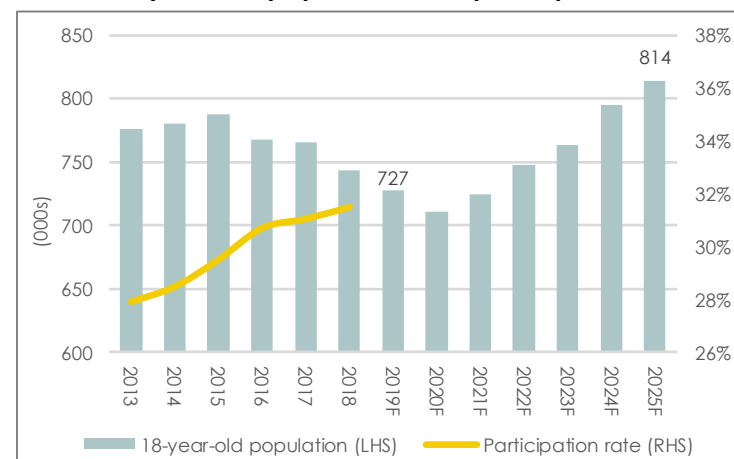
## ■ Funding Review supports alignment to higher-quality Universities

YoY change in applications by age and domicile  
(15 January deadline)

	Change in applications	% YoY
UK 18yr-olds	+2,610	+1.0%
All other UK	-5,845	-3.1%
Other EU	+380	+0.9%
Non EU	+5,250	+9.0%
	<b>+2,395</b>	<b>0.4%</b>

Source: UCAS

UK 18-year-old population and participation rate



Source: ONS, UCAS, Unite

## ■ Improved quality of income

- 60% of 2018/19 beds guaranteed by nominations
- 5.3% YoY growth in nominations income due to improvements in mix and location
- Index-linked rental growth from 76% of nominations (up from 71%)

## ■ Significant progress with University partnerships

- Growing appetite from high-quality Universities
- Two new deals in 2018

## ■ On track to secure 1-2 new partnerships per year

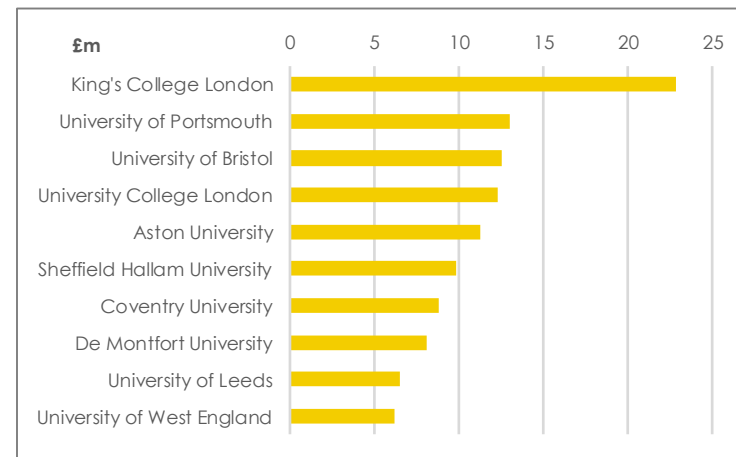
- Further pipeline emerging – 10 active discussions
  - o Includes two Bristol sites in secured pipeline
- Unite increasingly viewed as a strategic partner for accommodation needs

Nominations agreements

Length	Beds (2018/19)	% income (2018/19)	% income (2017/18)
Single year	7,543	24%	29%
2-10 years	13,437	49%	44%
11-20 years	4,026	14%	14%
20+ years	4,099	13%	13%
	<b>29,105</b>	<b>100%</b>	<b>100%</b>

Source: Unite

Top 10 nominations by income (2018/19)



Source: Unite

# HIGH LEVEL OF INCOME VISIBILITY

	% of income	% of beds	2019	2020+
Nominations	57%	60%	<ul style="list-style-type: none"> <li>5.3% YoY income growth</li> </ul>	<ul style="list-style-type: none"> <li>RPI+ linked contracts</li> <li>76% multi-year agreements</li> </ul>
Rebookers	11%	40%	<ul style="list-style-type: none"> <li>Robust, consistent demand</li> <li>Record customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>More 2<sup>nd</sup> and 3<sup>rd</sup> year students</li> <li>HMO market share under pressure</li> </ul>
International Undergraduate	8%		<ul style="list-style-type: none"> <li>Applications +9.0% YoY</li> <li>Strong growth from China</li> </ul>	<ul style="list-style-type: none"> <li>Global HE reputation supportive of future growth</li> <li>Growth in international students</li> </ul>
Postgraduate	11%		<ul style="list-style-type: none"> <li>11% growth in FT postgraduate students in past two years (HESA)</li> </ul>	<ul style="list-style-type: none"> <li>18% of full-time UK students</li> <li>Ability to tailor offer</li> </ul>
UK & EU Undergraduate	<div> <div>UK</div> <div>EU</div> </div> <div>7% 2%</div>		<ul style="list-style-type: none"> <li>Applications +1.0% YoY for core 18-year-old UK customer</li> <li>Unchanged EU fee status</li> </ul>	<ul style="list-style-type: none"> <li>18-year-old population returns to growth from 2021</li> <li>20-25% decline in EU students</li> </ul>
Summer income / short-term lets	3%	n/a	<ul style="list-style-type: none"> <li>Targeting YoY growth</li> <li>Widening hotel trials</li> </ul>	<ul style="list-style-type: none"> <li>Improving utilisation</li> <li>Target of 5-6% of income</li> </ul>

Source: Unite

1. Based on total Unite income, including 100% of USAF and LSAV

2. 2018 data using breakdown of nominations and direct-let customers for 2018/19 academic year

3. Nominations also includes commercial income (c.1%)

4. Income figures are rounded





# YOUR POST

**FINANCIAL REVIEW**





# STRONG FINANCIAL PERFORMANCE

	31 Dec 2018	31 Dec 2017	% change
<b>Income</b>			
EPRA earnings	<b>£88.4m</b>	£70.5m	<b>25% ↑</b>
EPRA EPS	<b>34.1p</b>	30.3p	<b>13% ↑</b>
Dividend per share	<b>29.0p</b>	22.7p	<b>28% ↑</b>
<b>Balance sheet</b>			
EPRA NAVps	<b>790p</b>	720p	<b>10% ↑</b>
Loan to value	<b>29%</b>	31%	<b>2% ↓</b>
<b>Cash flow</b>			
Operations cash flow	<b>£81.2m</b>	£63.2m	<b>28% ↑</b>
<b>Metrics</b>			
Total accounting return	<b>13%</b>	14%	
EPRA EPS yield	<b>4.7%</b>	4.7%	

Source: Unite



# EARNINGS GROWTH MOMENTUM MAINTAINED

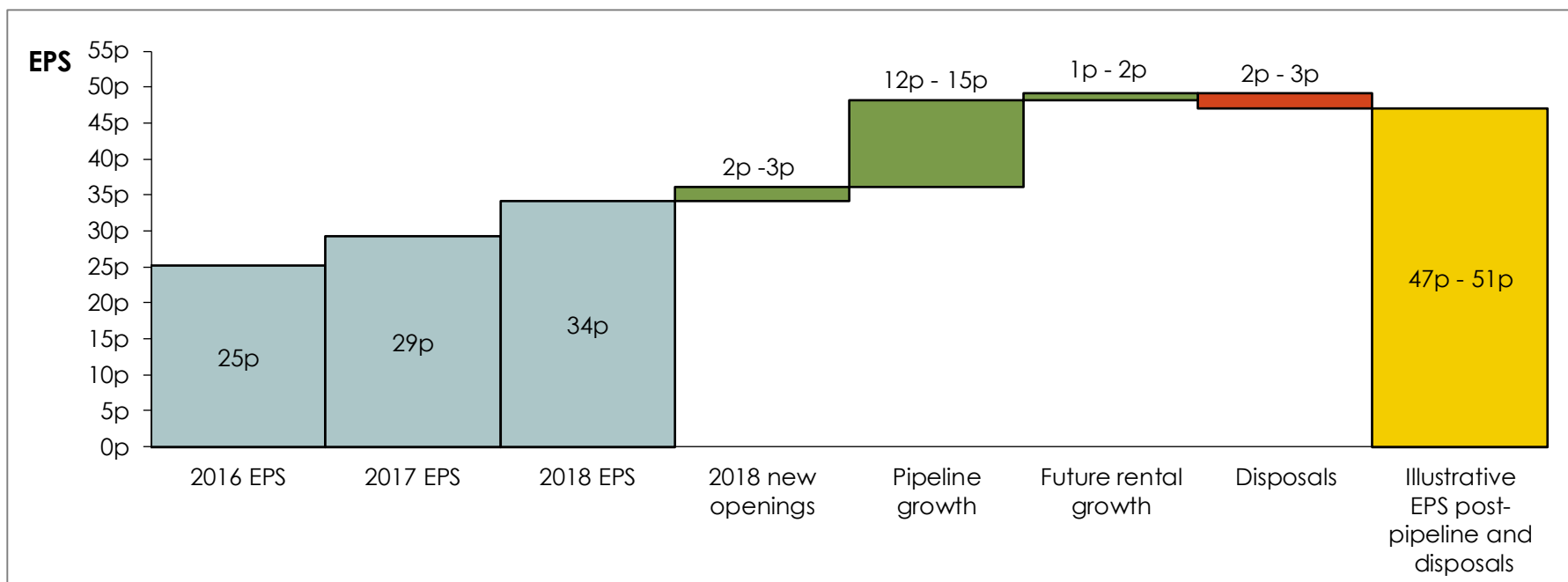
	31 Dec 2018 £m	31 Dec 2017 £m
Rental income	188.3	170.8
Property operating expenses	(48.0)	(44.3)
<b>Net operating income (NOI)</b>	<b>140.3</b>	<b>126.5</b>
<i>NOI margin</i>	75%	74%
Management fees	15.6	14.1
Operating expenses	(21.7)	(24.6)
Finance costs	(40.0)	(45.2)
USAF acquisition and net performance fees	-	4.3
Development and other costs	(5.8)	(4.6)
<b>EPRA earnings</b>	<b>88.4</b>	<b>70.5</b>
<b>EPRA EPS</b>	<b>34.1p</b>	<b>30.3p</b>
<i>EBIT margin</i>	71%	68%

Source: Unite



▪ Earnings growth prospects supported by:

- High-quality development programme
- Positive rental growth outlook and operating efficiencies
- Pro forma LTV of 35% post-pipeline and disposals



Assumptions:

- Development pipeline delivered in line with forecast
- Rental growth of 2-4% p.a.
- Efficiency targets delivered, then increase with inflation
- Future disposals of £100-150m
- 2016, 2017 and 2018 EPS excludes performance fee
- Pro forma LTV includes forecast NAV upside remaining on pipeline but no revaluation of rental properties

Note: Illustrative earnings progression demonstrating building blocks of growth (not a profit forecast)

# DISCIPLINED APPROACH TO LEVERAGE

## ■ Strong debt position

- Diversified sources and balanced maturity profile
- Limited refinancing requirements before 2022
- Cost of debt 3.6% when fully drawn

## ■ Investment grade corporate rating maintained

- BBB from S&P and Baa2 from Moody's
- £275 million unsecured 10-year bond
- 75% of facilities are unsecured

## ■ LTV reduced to 29% (2017: 31%)

## ■ Leverage targets maintained

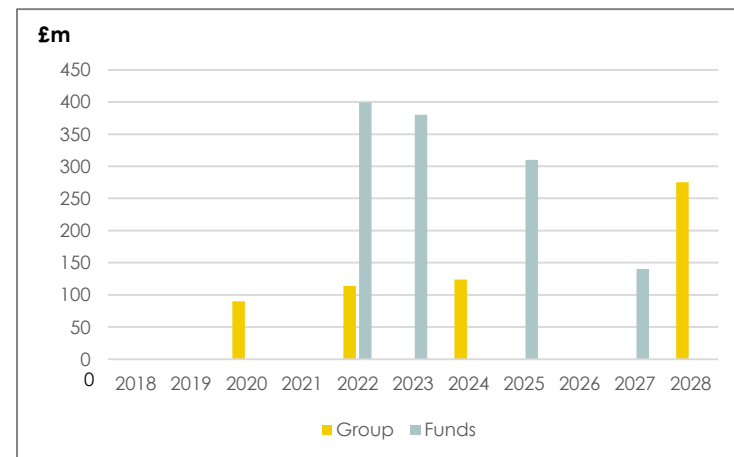
- Accelerating disposals to maintain discipline
- Target LTV range of mid-30%
- Net debt:EBITDA range of 6.0x to 7.0x

Key debt statistics (Unite share)

	31 Dec 2018	31 Dec 2017
Net debt	<b>£856m</b>	£803m
LTV	<b>29%</b>	31%
Net debt:EBITDA ratio	<b>6.1</b>	6.5
Interest cover ratio	<b>3.4</b>	2.6
Cost of debt	<b>3.8%</b>	4.1%
Average debt maturity	<b>5.8 years</b>	5.3 years
Proportion investment debt at a fixed rate	<b>99%</b>	80%

Source: Unite

Debt maturity profile



Source: Unite



# CO-INVESTMENT VEHICLES CONTINUING TO DELIVER

## ▪ Strong performance across USAF and LSAV

- LSAV's higher total accounting return driven by stronger yield compression in London

## ▪ USAF acquisitions

- Completed two forward funds in Durham
- Acquired investment asset in Edinburgh
- c.£100 million acquisition capacity

## ▪ Asset management fee income

- Asset management fees reduced by disposals

## ▪ Continuing support from co-investment partners

- Demand for units remains high
- £48 million of USAF units traded in 2018 at small premium to NAV
- No redemptions received

### Summary financials

	USAF £m	LSAV £m
GAV	2,253	1,242
Net debt	(562)	(486)
Other assets/liabilities	(31)	(14)
<b>NAV</b>	<b>1,660</b>	<b>741</b>
Unite share of NAV	423	371
Total accounting return	8%	18%
Loan to value	25%	39%
Unite stake	25%	50%
Maturity	Infinite	2022/2027
<b>Unite fees in period</b>		
Asset/property management	10.2	3.0
Acquisition fees	-	-
	<b>10.2</b>	<b>3.0</b>

Source: Unite



**UNITE  
STUDENTS**

**PROPERTY REVIEW**





# VALUATIONS WELL SUPPORTED

## ▪ Transactional volume remains strong

- Over £3 billion traded in 2018
- Wide range of portfolio deals and single-asset transactions
- Investor sentiment remains positive

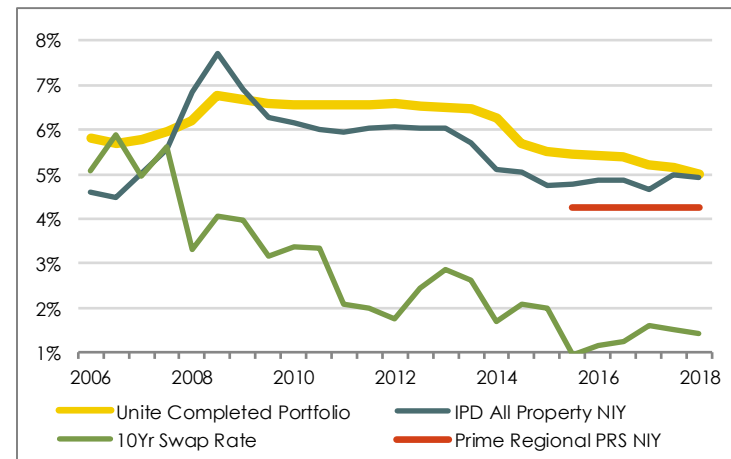
## ▪ Diverse investor base

- Existing operators looking to build scale
- New capital from overseas institutions

## ▪ Unite valuations: 15bps compression

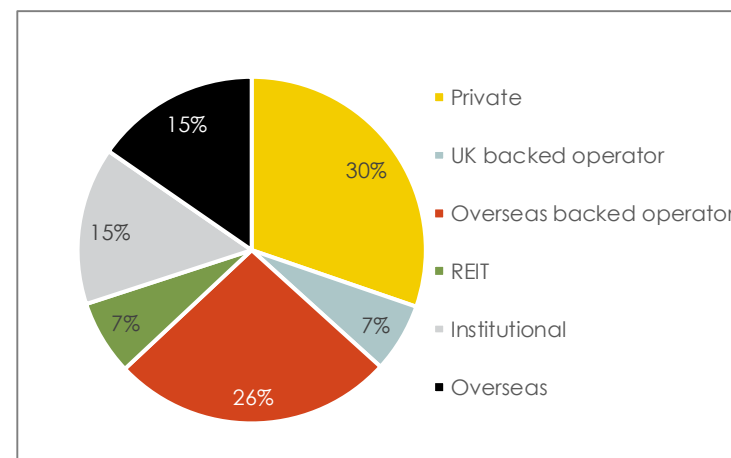
- 5.0% average yield (Unite share)
- Growing divergence in performance between quality and weaker markets
- Valuations compare favourably to other residential uses

Valuation yields



Source: Unite, IPD, CBRE

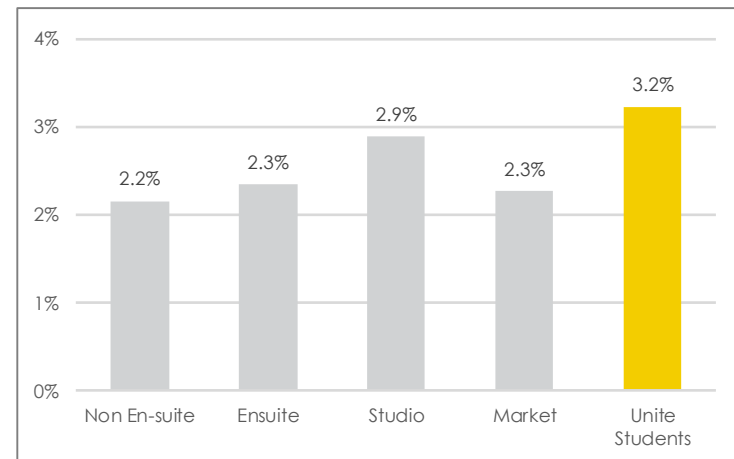
2018 transactions by investor type



Source: Unite, CBRE

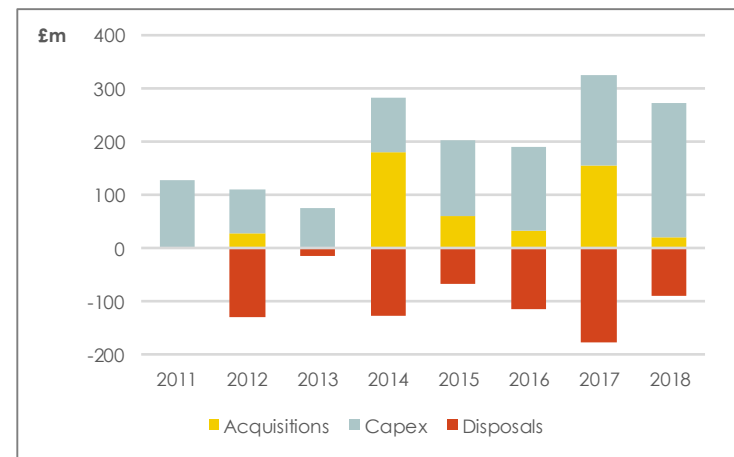
- **Continued rental growth outperformance**
- **Improving portfolio quality through investment**
  - 3,074 new beds delivered in 2018 with around 50% let under nominations (WAULT of 10 years)
  - Extending nomination agreements
- **Disposed over 13,000 beds since 2011**
  - £180 million sold in 2018 (£85 million Unite share)
    - Exited two markets (Huddersfield and Plymouth)
  - Intend to sell £100 - 150 million in 2019 (Unite share)
- **Continuing to target growth with partner Universities**
  - Focus on quality of location and affordability
  - Emerging pipeline of development opportunities
  - Acquisition capacity in USAF

2018/19 rental growth (Unite vs. market)



Source: Knight Frank Student Housing report

Capital recycling activity (Unite share)



Source: Unite

1. Acquisitions includes increased share of USAF through performance fees and units purchased in the secondary market



# DEVELOPMENT PIPELINE

- Pipeline 100% aligned to high and mid-ranked Universities
- Secured pipeline of 6,579 beds to deliver by 2022
  - 70% nominations on 2019 openings
- Disciplined approach to new opportunities
  - Run-rate of 1,500 - 2,500 beds p.a.
  - Attractive opportunities in both London and regional markets
- New supply slowing
  - 20,000 - 25,000 beds in 2019
  - Slowing from 2020, pipeline c.20,000 beds
- Mitigating supply chain risks from Brexit
  - Forward ordered all materials critical to delivery of 2019 completions

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Forecast yield on cost
<b>Wholly owned</b>					
Skelthorne Street, Liverpool	2019	1,085	95	74	8.0%
Tower North, Leeds	2020	928	104	81	8.0%
First Way, London	2020	678	122	102	6.0%
New Wakefield Street, Manchester	2020	603	81	56	8.2%
<b>Total wholly owned</b>		<b>3,294</b>	<b>402</b>	<b>313</b>	<b>7.6%</b>
<b>University partnerships</b>					
Cowley Barracks, Oxford	2019	887	98	73	6.5%
Old BRI, Bristol <sup>1</sup>	2021	370	52	39	6.2%
Middlesex Street, London <sup>1</sup>	2021	960	250	193	6.3%
Temple Quay, Bristol <sup>1</sup>	2022	650	95	77	6.2%
<b>Total University partnerships</b>		<b>2,867</b>	<b>495</b>	<b>382</b>	<b>6.3%</b>
<b>USAF – forward funds</b>					
Battery Park, Birmingham	2019	418	43	38	6.3%
<b>Total USAF</b>		<b>418</b>	<b>43</b>	<b>38</b>	<b>6.3%</b>
<b>Unite share of USAF</b>					
		<b>418</b>	<b>11</b>	<b>10</b>	<b>6.3%</b>
<b>Total pipeline (Unite share)</b>		<b>6,579</b>	<b>908</b>	<b>705</b>	<b>7.0%</b>

Source: Unite

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

# UNITED STUDENTS

UNITE  
STUDENTS



OUTLOOK

# WELL POSITIONED FOR FUTURE GROWTH

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- **Sustainable earnings growth**

- Underpinned by portfolio and income quality, development pipeline, University partnerships and operating efficiency

- **Ongoing confidence despite uncertainty created by Brexit and Higher Education funding review**

- Aligned to the strongest Universities where intake continues to grow
- Value-for-money service

- **Significant progress and future opportunities with University partnerships**

- **Robust balance sheet**

- Discipline around capital allocation to new opportunities

St Vincent's Place, Sheffield





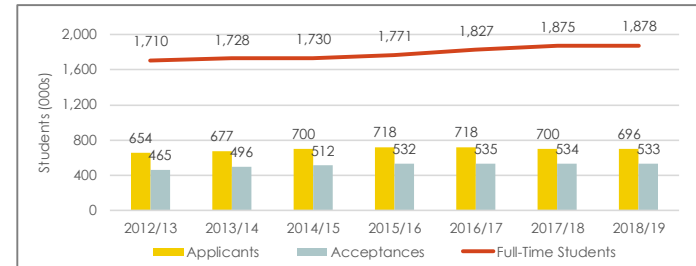




# STUDENT NUMBERS REMAIN STRONG

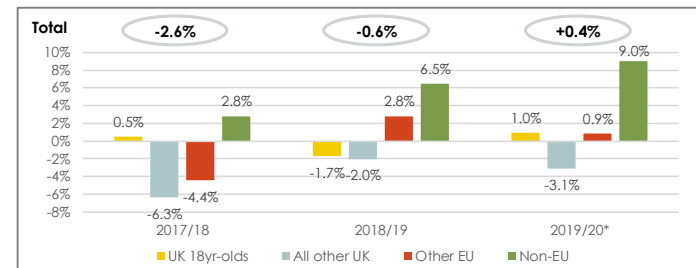
- Overall student numbers stable in 2018/19
- 2018 student intake broadly in line with 2017
  - Excess of applications and higher participation rates offsetting 1% reduction in applications
  - Demographic decline reverses from 2021
- Encouraging applications data for 2019
  - Stronger growth for core customer segments (UK 18-year-olds +1.0% and non-EU +9.0%)
- International student demand remains strong
  - UK remains 2<sup>nd</sup> most popular destination
  - Reduction in EU demand due to Brexit equates to a c.1% decline in student numbers by 2022
- Introduction of Teaching Excellent Framework
  - Expected to influence student choice

Full-time student numbers



Source: UCAS, HESA, Unite estimates

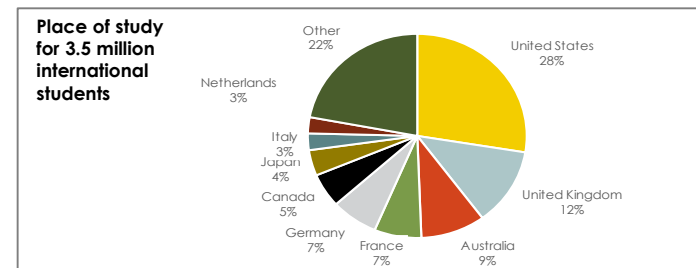
YoY growth in applications



Source: UCAS

\* As at 15 January deadline for 2019/20

International student mobility



Source: Education at a Glance 2018, OECD

# MARKET REMAINS UNDERSUPPLIED

- **603,000 purpose-built beds for 739,000 1<sup>st</sup> year and international students**

- 300,000 University owned
- 303,000 corporately owned

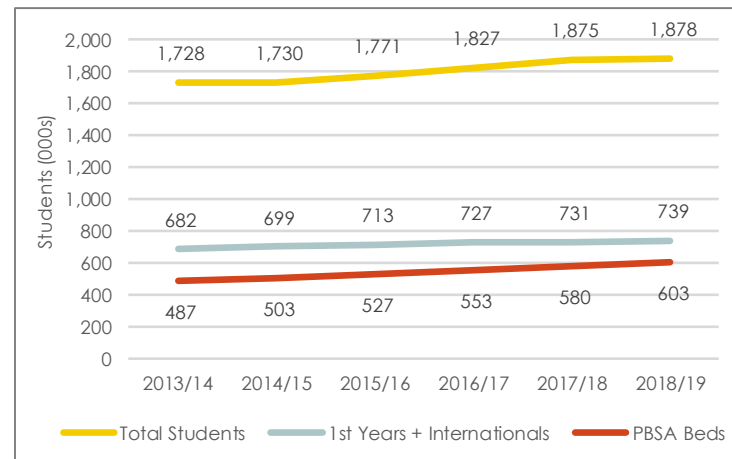
- **University stock remains flat**

- **Corporate supply**

- 20,000 - 25,000 expected in 2019
- Current supply for 2020 and beyond limited to a further 20,000 beds

- **Increasing proportion of 2<sup>nd</sup> and 3<sup>rd</sup> years choosing PBSA**

Students and supply



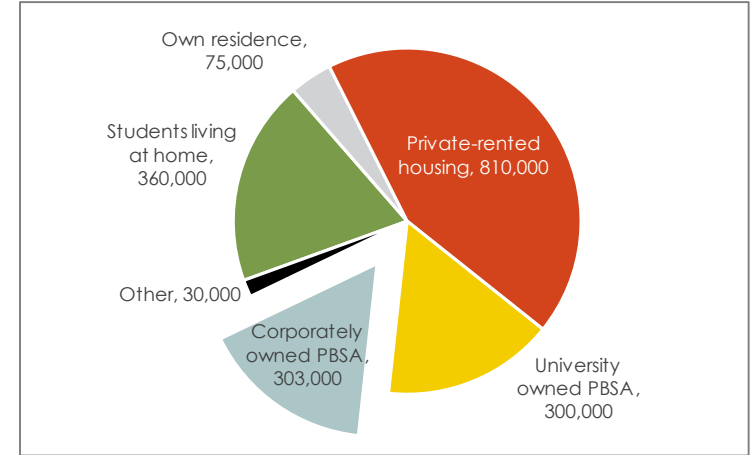
Source: HESA, Unite



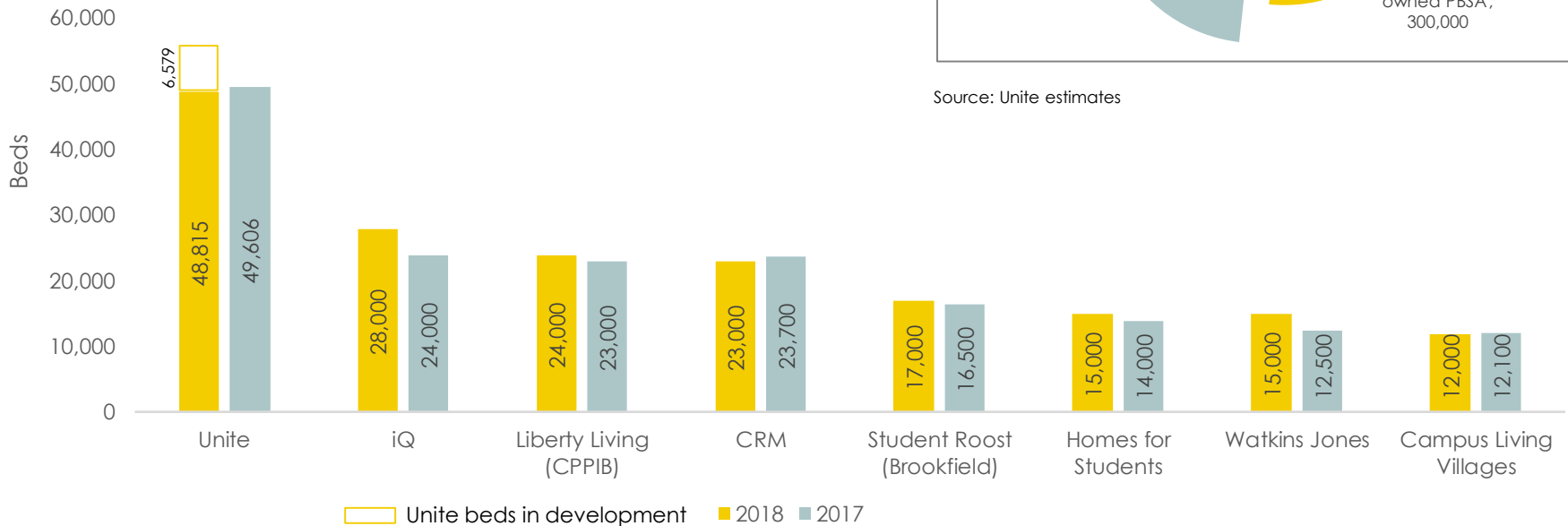
# COMPETITIVE LANDSCAPE

- **1.87 million full-time students in the UK**
  - Around 1.5 million require accommodation
- **Over 800,000 students living in private-rented housing**
  - We see further opportunity in this area

Breakdown of accommodation for full-time students



Source: Unite estimates



Source: CBRE, Unite

\* Excludes UPP portfolio of 35,000 on-campus beds via University partnerships

## ▪ 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
- 'My 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

89%

Of customers using  
My Unite app

28K

Average monthly usage  
of My Unite app  
87% increase YoY

1,000

Staff trained in  
student welfare

84%

Of students viewed our  
digital welfare guides





# OUR TOP 10 MARKETS

2018 rank	City	Completed beds (18/19)	Full-time student numbers (17/18)	Market Share
1	London	9,406	308,010	3.1%
2	Birmingham	4,508	69,090	6.5%
3	Sheffield	3,999	52,690	7.6%
4	Bristol	3,494	45,510	7.7%
5	Leeds	3,457	56,125	6.2%
6	Liverpool	3,015	62,490	4.8%
7	Portsmouth	2,706	20,525	13.2%
8	Manchester	2,336	84,040	2.8%
9	Leicester	1,687	38,360	4.4%
10	Edinburgh	1,684	55,185	3.1%
		36,292	792,025	4.6%
Proportion of Unite portfolio		74%		

Source: Unite, HESA



# SUMMARY EPRA BALANCE SHEET AND INCOME STATEMENT

	Wholly owned £m	USAF (Unite share) £m	LSAV (Unite share) £m	Unite Group Dec 2018 £m	Unite Group Dec 2017 £m
<b>Balance sheet</b>					
Rental properties	1,497	567	621	2,685	2,379
Properties under development	279	3	-	282	216
Total property portfolio/GAV	1,776	570	621	2,967	2,595
Net debt	(471)	(142)	(243)	(856)	(803)
Other assets/(liabilities)	(14)	(5)	(7)	(26)	(52)
EPRA net assets	1,291	423	371	2,085	1,740
LTV	27%	25%	39%	29%	31%
<b>Income statement</b>				<b>2018</b>	<b>2017</b>
Net operating income	84.1	27.5	28.7	140.3	126.5
Overheads less management fees	0.9	(3.5)	(3.5)	(6.1)	(10.5)
Finance costs	(24.9)	(6.2)	(8.9)	(40.0)	(45.2)
Development/other	(5.4)	(0.2)	(0.2)	(5.8)	(0.3)
EPRA earnings	54.7	17.6	16.1	88.4	70.5



# PORTFOLIO ANALYSIS

		31 December 2018					Unite share
		USAF	LSAV	Wholly owned	Lease	Total	
<b>London</b>	Value (£m)	369	977	500	-	1,846	1,082
	Beds	1,870	5,283	1,993	260	9,406	40%
	Properties	6	12	6	1	25	
<b>Prime provincial</b>	Value (£m)	598	-	298	-	896	449
	Beds	5,344	-	2,678	618	8,640	17%
	Properties	18	-	7	2	27	
<b>Major provincial</b>	Value (£m)	1,062	266	409	-	1,737	811
	Beds	13,597	3,067	5,329	1,210	23,203	30%
	Properties	34	1	10	4	49	
<b>Provincial</b>	Value (£m)	212	-	290	-	502	343
	Beds	2,688	-	3,819	1,059	7,566	13%
	Properties	8	-	10	3	21	
<b>Total</b>	<b>Value (£m)</b>	<b>2,241</b>	<b>1,242</b>	<b>1,497</b>	<b>-</b>	<b>4,981</b>	<b>2,685</b>
	Beds	23,499	8,350	13,819	3,147	48,815	100%
	Properties	66	13	33	10	122	
<b>Unite ownership share</b>		25.3%	50%	100%	-		
<b>Value (£m)</b>		<b>567</b>	<b>621</b>	<b>1,497</b>	<b>-</b>	<b>2,685</b>	



## On-balance sheet

	Facility £m	Drawn £m	Maturity
Legal + General	114	114	2022
Mass Mutual	124	124	2024
<u>Unsecured</u>			
Retail Bond	90	90	2020
HSBC/RBS	350	-	2023
Unsecured bond	275	275	2028
Total	953	603	

## Co-investment vehicles

	Facility £m	Drawn £m	Maturity
<u>USAF</u>			
Secured bond	690	690	2023-25
Wells Fargo	100	-	2021
Total	790	690	
<u>LSAV</u>			
Wells Fargo	250	250	2022
L&G	149	149	2022
Teachers RE	140	140	2027
Total	539	539	

	2018 £m	2017 £m
IFRS net assets	<b>2,073</b>	1,729
Mark to market on fixed rate debt	<b>(38)</b>	(55)
Realised swap gain	<b>(2)</b>	-
EPRA NNNAV	<b>2,033</b>	1,674
EPRA NNNAV per share	<b>770p</b>	692p



# SECURED DEVELOPMENT AND PARTNERSHIPS PIPELINE

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Capex in 2018 (£m)	Capex remaining (£m)	Forecast NAV remaining (£m)	Forecast yield on cost
<b>Wholly owned</b>								
Skelthorpe Street, Liverpool	2019	1,085	95	74	30	19	8	8.0%
Tower North, Leeds	2020	928	104	81	23	58	16	8.0%
First Way, London	2020	678	122	102	39	63	10	6.0%
New Wakefield Street, Manchester	2020	603	81	56	8	36	13	8.2%
<b>Total wholly owned</b>		<b>3,294</b>	<b>402</b>	<b>313</b>	<b>100</b>	<b>176</b>	<b>47</b>	<b>7.6%</b>
<b>University partnerships</b>								
Cowley Barracks, Oxford	2019	887	98	73	57	15	4	6.5%
Old BRI, Bristol <sup>1</sup>	2021	370	52	39	2	25	12	6.2%
Middlesex Street, London <sup>1</sup>	2021	960	250	193	7	186	57	6.3%
Temple Quay, Bristol <sup>1</sup>	2022	650	95	77	-	77	18	6.2%
<b>Total University partnerships</b>		<b>2,867</b>	<b>495</b>	<b>382</b>	<b>66</b>	<b>303</b>	<b>91</b>	<b>6.3%</b>
<b>USAF</b>								
Battery Park, Birmingham	2019	418	43	38	-	29	2	6.3%
<b>Total USAF</b>		<b>418</b>	<b>43</b>	<b>38</b>	<b>-</b>	<b>29</b>	<b>2</b>	<b>6.3%</b>
<b>Unite share of USAF</b>								
		<b>418</b>	<b>11</b>	<b>10</b>	<b>-</b>	<b>7</b>	<b>1</b>	<b>6.3%</b>
<b>Total pipeline (Unite share)</b>								
		<b>6,579</b>	<b>908</b>	<b>705</b>	<b>166</b>	<b>486</b>	<b>139</b>	<b>7.0%</b>

Source: Unite

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