

**UNITE
STUDENTS**

CAPITAL MARKETS DAY

October 2021



Today's agenda

10:15	Introduction	Richard Smith
10:30	A view on HE	Nick Hillman, HEPI
11:00	Customer strategy	Karan Khanna
11:15	Break	
11:30	Portfolio review	Nick Hayes
11:45	Sustainability	Michael Burt
12:00	Financial outlook	Joe Lister
12:15	Summary	Richard Smith
12:30	Lunch	
13:15	Property tours	



Unite Students Team

Leadership team



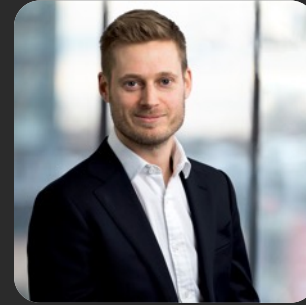
Richard Smith
Chief Executive



Joe Lister
Chief Financial
Officer



Karan Khanna
Chief Customer
Officer



Nick Hayes
Group Property
Director



Michael Burt
Group Investment
& ESG Director



Nicola Marsden
Group Communications
Director

Operations Team



Unite Students Team

Leadership team



Operations Team



Steph Dale

Head of Operations
for South and
Central



David Marr

Head of Operations
for North England
& Scotland



Louise Redfern

Area Manager



Chloe Byatte

Operations Manager



Natalie Snelson

Operations Manager



Will Scott

Regional Student
Support Manager

Guest Speaker



Nick Hilman
Director of HEPI

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Introduction

Richard Smith, Chief Executive



Our strategy

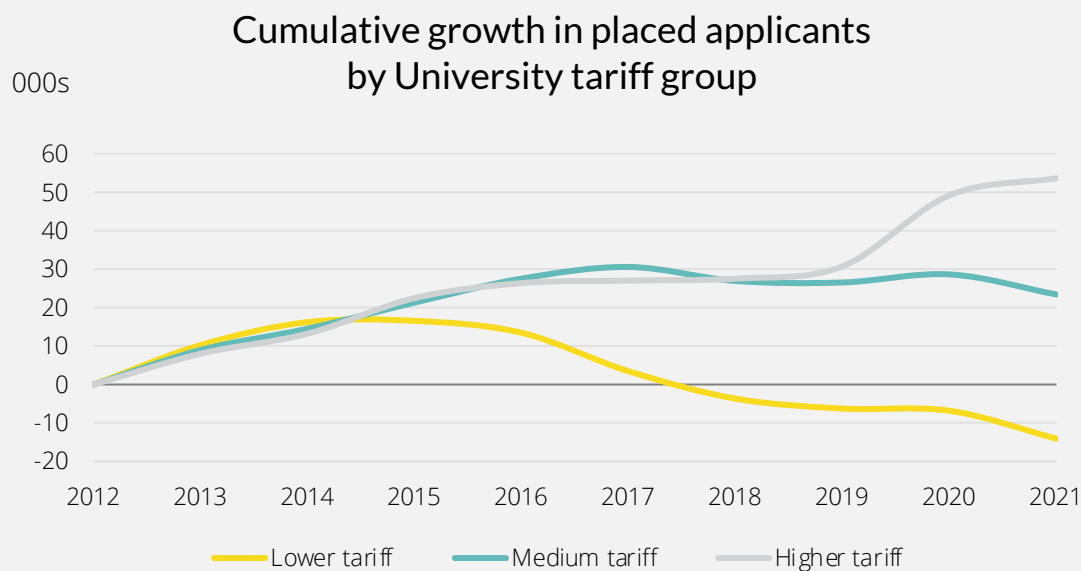
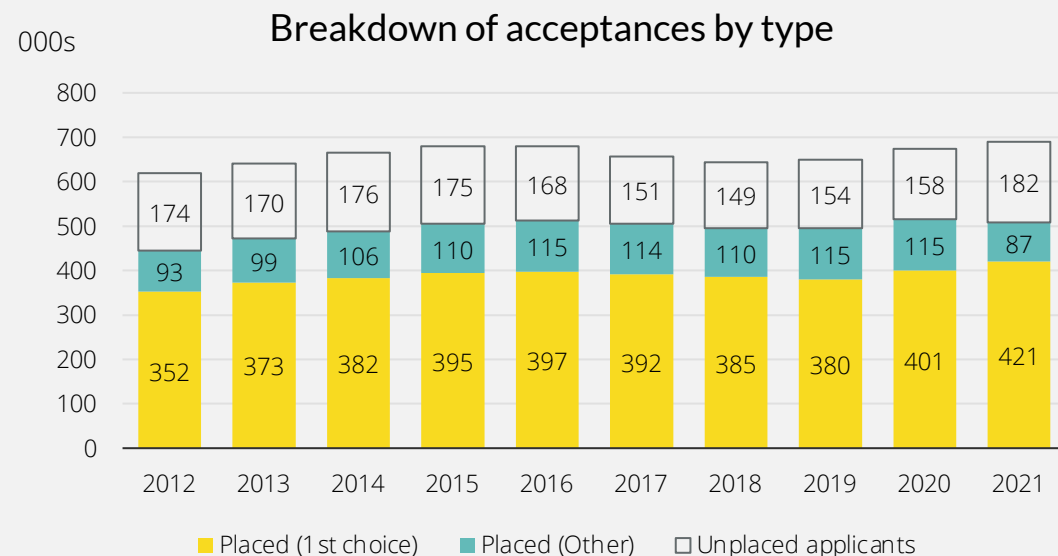
HOME FOR SUCCESS

Our objectives	Delivering for our customers and Universities	Attractive returns for shareholders	A responsible and resilient business	
Our priorities	A best-in-class student experience	Investing to enhance our estate	Growth through development and University partnerships	Improving our environmental and social impact
What success looks like	<ul style="list-style-type: none">• Greater customer advocacy• Increased market share• New University partnerships	<ul style="list-style-type: none">• Rental growth of 3.0-3.5% p.a.• Total accounting return of 8.5-10%• EPS growth of 6-8% p.a.	<ul style="list-style-type: none">• Net zero carbon by 2030• Opportunities for all• Helping young people succeed	

Stable student numbers for 2021/22

- Acceptances marginally down with more unplaced applicants
- Higher grade attainment with more students taking up first-choice Universities
- Waiting list equates to 1-2% in potential occupancy as grading normalises
- Record non-EU admissions with reducing impact from travel restrictions

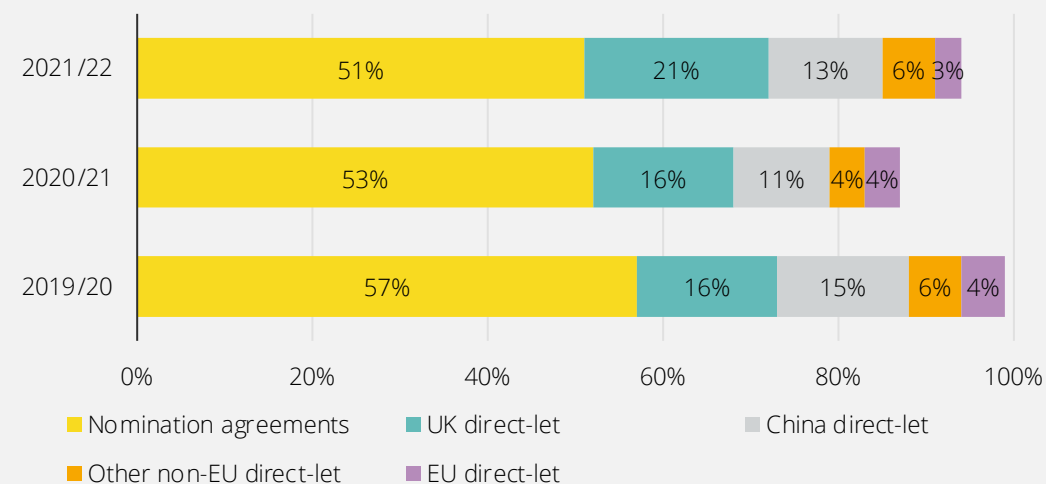
Source: UCAS



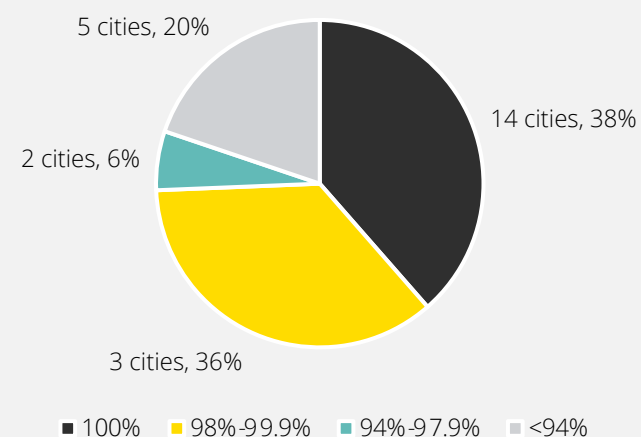
2021/22 sales performance

- 94% occupancy for 2021/22
(2019/20: 98%, 2020/21: 88%)
 - Rental growth of 2.3%
 - Particularly strong UK direct-let sales
 - Confident in outperformance of peers
- Greater than expected decline in EU student numbers
- Grade inflation contributing to wider spread of performance between cities

Occupancy breakdown by academic year



City occupancy weighted by GAV



Structural trends for the next decade

Demographic growth



Flight to quality



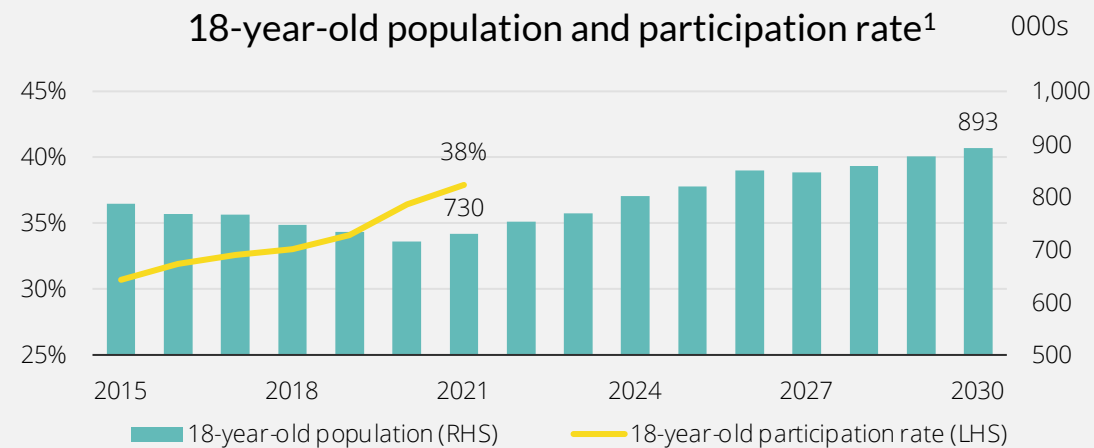
Broader international demand



University outsourcing

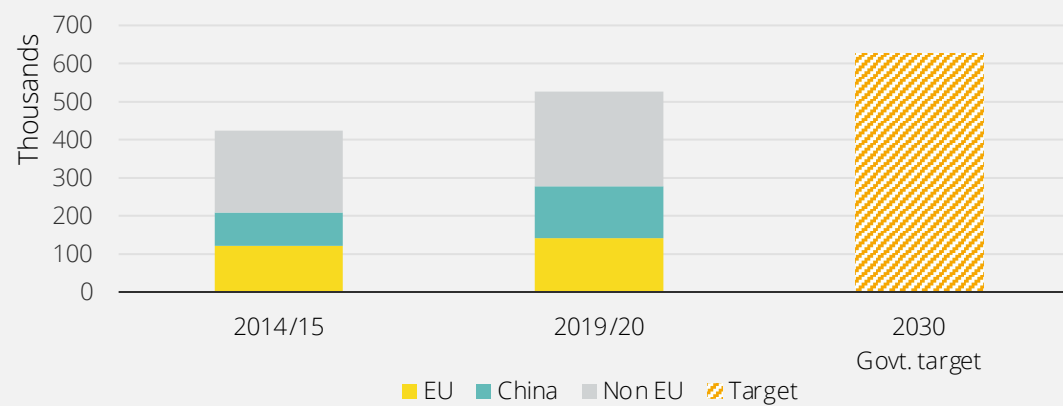


18-year-old population and participation rate¹



1. UCAS, ONS

International student numbers^{2,3}



2. HESA

2

A view on HE

Nick Hillman, HEPI



3

Customer strategy

Karan Khanna, Chief Customer Officer



Strong foundations



Best-in-class operating platform

PRISM technology platform

Passionate frontline teams

Sector leading student welfare and support

Strong safety and compliance culture



Quality University partnerships

High degree of income visibility

Trusted brand, enhanced by Covid response

City-wide opportunities created by scale

Investment opportunity with key partners



Strong portfolio with opportunity

Range of product and price points

High-quality pipeline

Proactive response to cladding risk

Expectations are evolving



Elevated student expectations for rooms, social space, amenities and technology



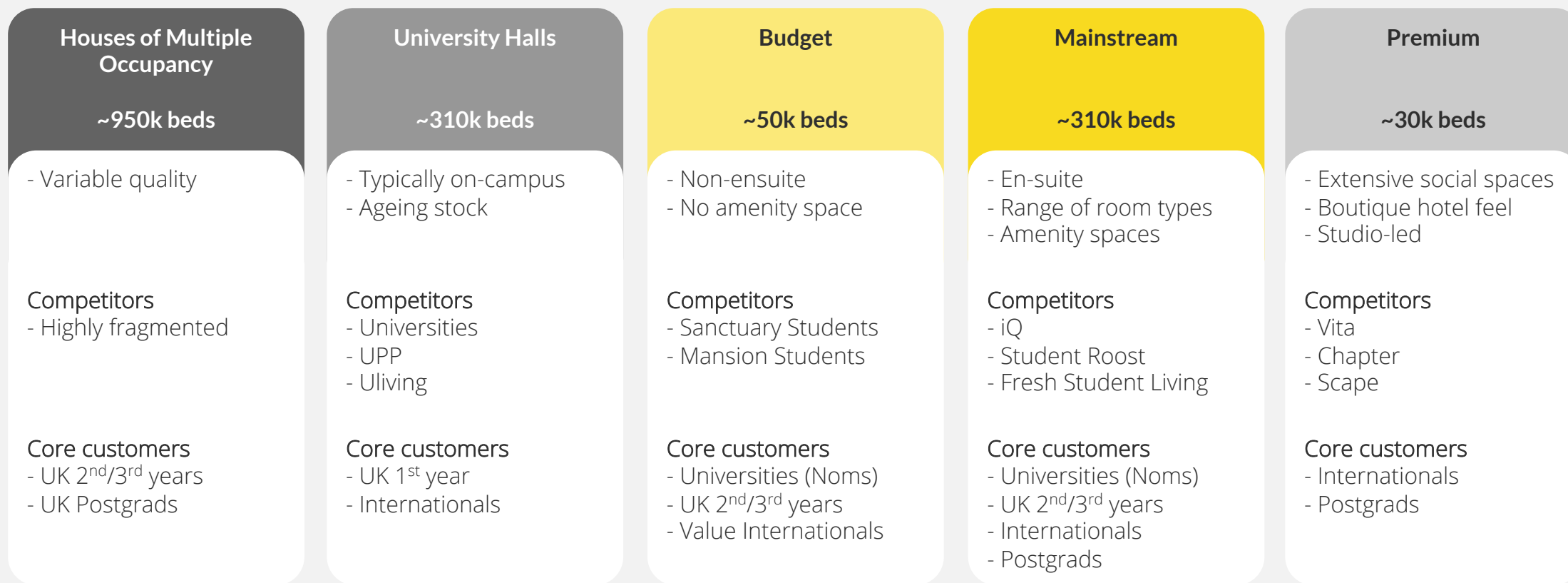
Higher University expectations, especially around student welfare



Greater emphasis on core purpose, social impact and community engagement

Student accommodation landscape

- Unite's affordable, mainstream offer has broad appeal
- Well placed to support Universities' growth plans through nomination agreements
- Significant opportunity to capture market share from the HMO sector



Long-term Commercial and Operational strategy

UNITE
STUDENTS

Delivering a Home for Success



Segmented product
and service



Increased asset
management



Digital,
mobile-first
capabilities



Frontline service
excellence



Continued
investment in
technology (PRISM)



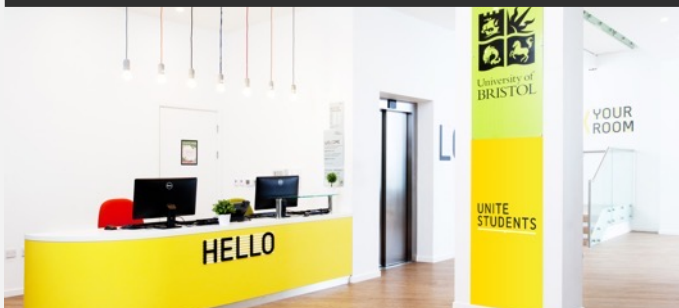
Greater customer advocacy

Increased retention

Growing operating margins

A more segmented customer offer

Undergraduate 1st years



- Strong links to Universities
- Resident Ambassador programme to support inductions
- “There when you need us” service and wellbeing ethos
- Safe and Secure with staffing, 24/7 contact centre and extensive CCTV
- Sector-leading WiFi

50-60% of beds

Undergraduate 2nd and 3rd years



- Live together with friends
- Hassle-free living with utilities, WiFi and insurance all included
- Greater independence for students
- Responsive maintenance support
- Early re-booker rate - pick of the rooms at our best price

20-30% of beds

Postgraduate and Internationals



- Dedicated blocks or buildings for like-minded peers
- Smaller buildings/flat sizes
- Quiet rooms and study areas
- Laundry services, regular cleaning and parcel delivery
- Grab-and-go breakfast
- Trials underway at 7 properties

10-20% of beds

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Portfolio review

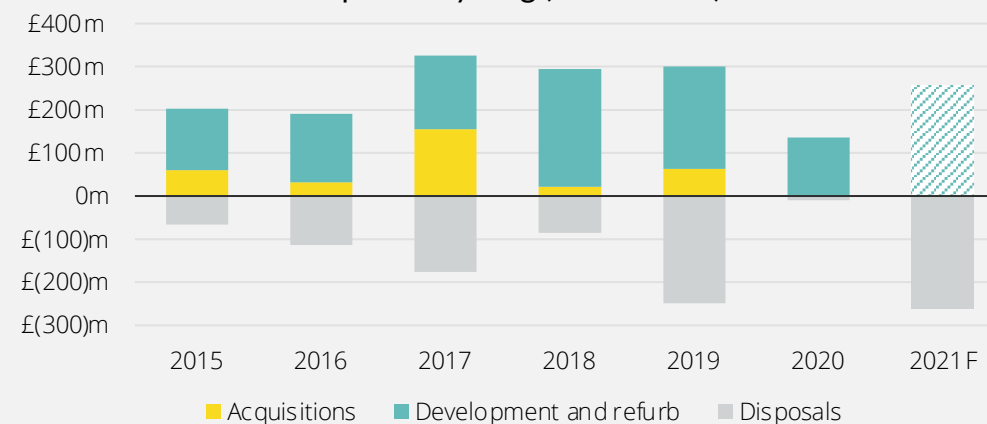
Nick Hayes, Group Property Director



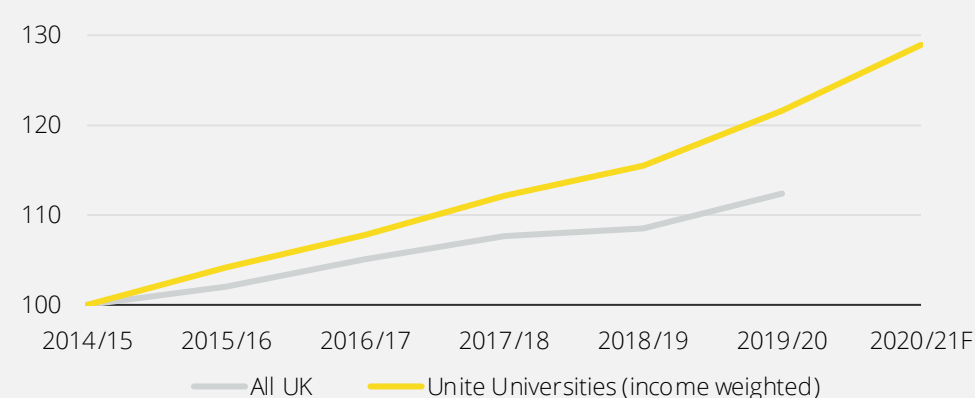
Optimising our portfolio

- Growing alignment to strongest Universities
 - 90% of rental portfolio in Russell Group cities, 100% of development pipeline
- New investment focused on 8-10 markets
 - London and prime regional cities
- Continued discipline around capital recycling
 - Focus on building/location quality
 - Targeting £300-400m of disposals in next 2 years
- More concentrated portfolio by 2023

Capital recycling (Unite share)¹



Full-time HE student numbers²



1. Excludes acquisition of Liberty Living in 2019

2. HESA, Indexed 2014/15 = 100

Growing our London footprint

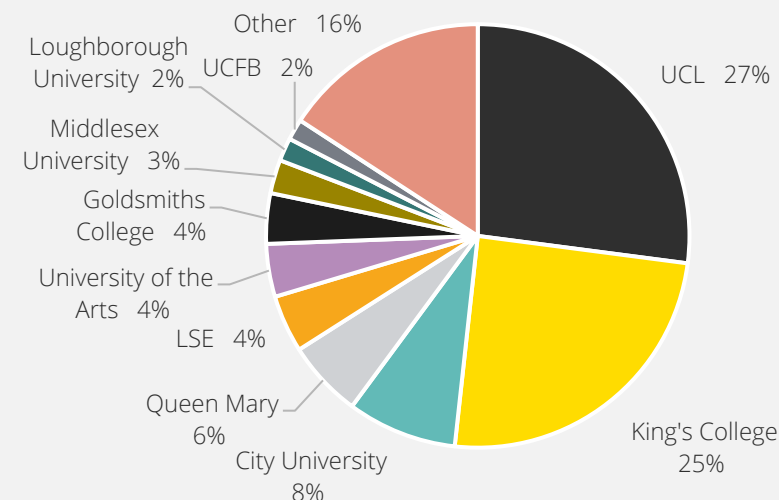
- Strong demand outlook
 - Significant demographic growth
 - International appeal of world-class Universities
 - Supply constrained
- High-quality University partners
 - Opportunities to grow our relationships
 - Support for Unite planning applications
- c.75% of our pipeline by value
 - 2,700 beds across 3 major schemes
 - Increases London weighting to 40%
- Growing focus on East London
 - Aligned to new campus developments

18-year-old population and HE entry rates¹



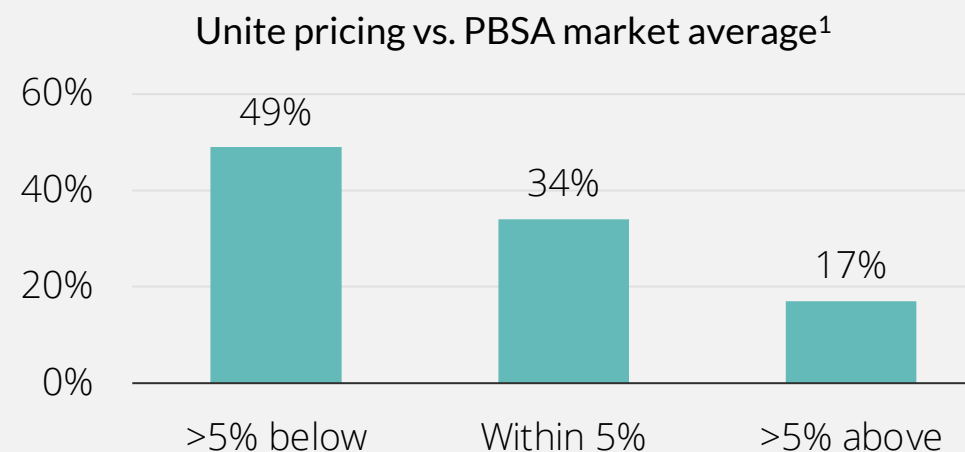
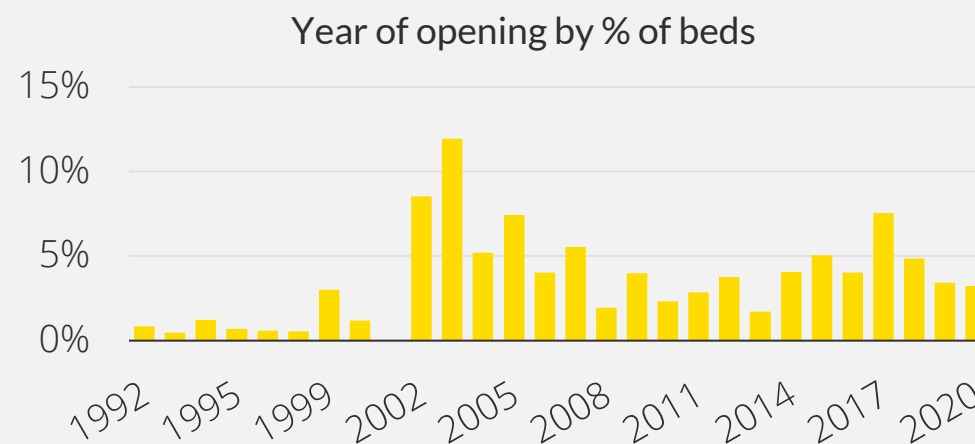
1. ONS, UCAS

Unite income breakdown by London University



Investing to enhance rental growth

- Multi-year asset management opportunity
 - £35-50m annual capex
 - 0.5-1.0% contribution to rental growth
 - Funded through capital recycling
- Wide variety of asset management initiatives
 - Repositioning of nominations (city-wide deals)
 - Increased customer segmentation
 - Upgrades to rooms/amenity spaces
 - Extensions on underutilised sites
 - Energy initiatives
- Opportunities in former Liberty Living portfolio
 - Affordable price points



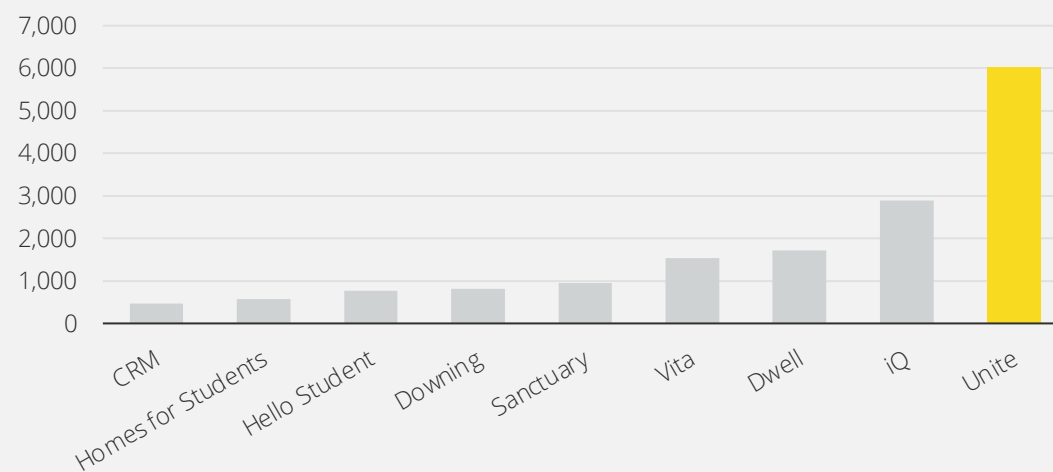
1. Cushman & Wakefield

Manchester overview

- Leading University city (67k full-time students)
- 6,000 Unite beds across 11 properties
 - 50% nominations
 - 80% of DL sales to international students
 - Sold out for 2021/22
- Well-located portfolio in and around city centre
 - Mix of Unite and former Liberty Living assets
 - Restrictive planning for new PBSA
- 3 capex projects completing for 2022/23
 - £42m in capex and 7% yield-on-cost
 - Enhanced customer segmentation

Full-time students (2019/20) ¹	Undergraduate	Postgraduate
UK	41,920	6,480
EU	3,170	1,030
Non-EU	7,915	6,785
Total	53,005	14,295

PBSA beds by provider²

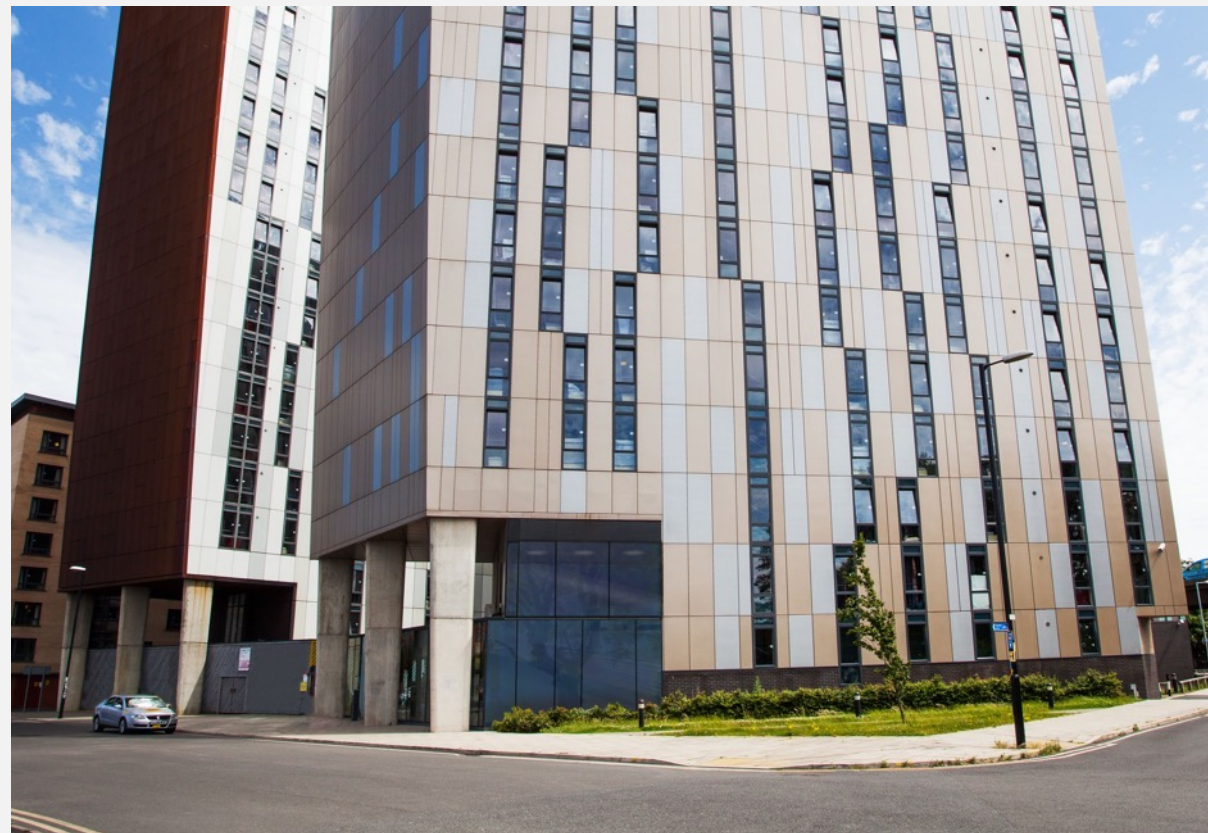


1. HESA
2. Unite

Parkway Gate

729 beds, opened in 2008

- Particularly popular with international students
- Opportunity to refurbish asset and enhance amenities alongside cladding remediation
- Planning secured for revised configuration and additional 24 beds
- Upgraded to EPC 'B' rating on completion
- Total investment of £19m
 - 6% Yield-on-cost excluding cladding



Kincardine Court

229 beds, opened in 2001

- Well-located asset popular with postgraduates
- Planning consent for 92-bed extension on car park
- Amending service proposition and specification for postgraduate market
 - 4-bed cluster flats
- Combined with upgrade of existing block
- EPC rating enhanced from 'D' to 'B'
- £12m capex delivering 6% yield-on-cost



New Medlock House

671 beds, opened in 2002

- Basic existing specification, affordable price point
- Attractive to UK undergraduate market
- Planning consent secured for 17 new bedrooms
- Creation of new common room and study space
- 5-year nomination to Manchester Metropolitan University at increased rent post-refurbishment
- Upgraded to EPC 'B' rating
- £11m capex delivering 10% yield-on-cost

Previous specification



New specification



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Sustainability

Michael Burt, Group Investment & ESG Director



Our sustainability strategy

OUR OBJECTIVES



NET ZERO CARBON

Becoming net zero carbon for both our operations and developments by 2030



RESOURCE EFFICIENT

Improving energy and water efficiency, and helping students adopt sustainable living habits



HEALTH & WELLBEING

Enhancing the health and wellbeing of our employees and students



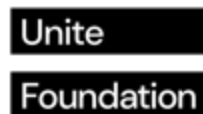
OPPORTUNITIES FOR ALL

An environment where all can succeed, whatever their background, gender or ethnicity



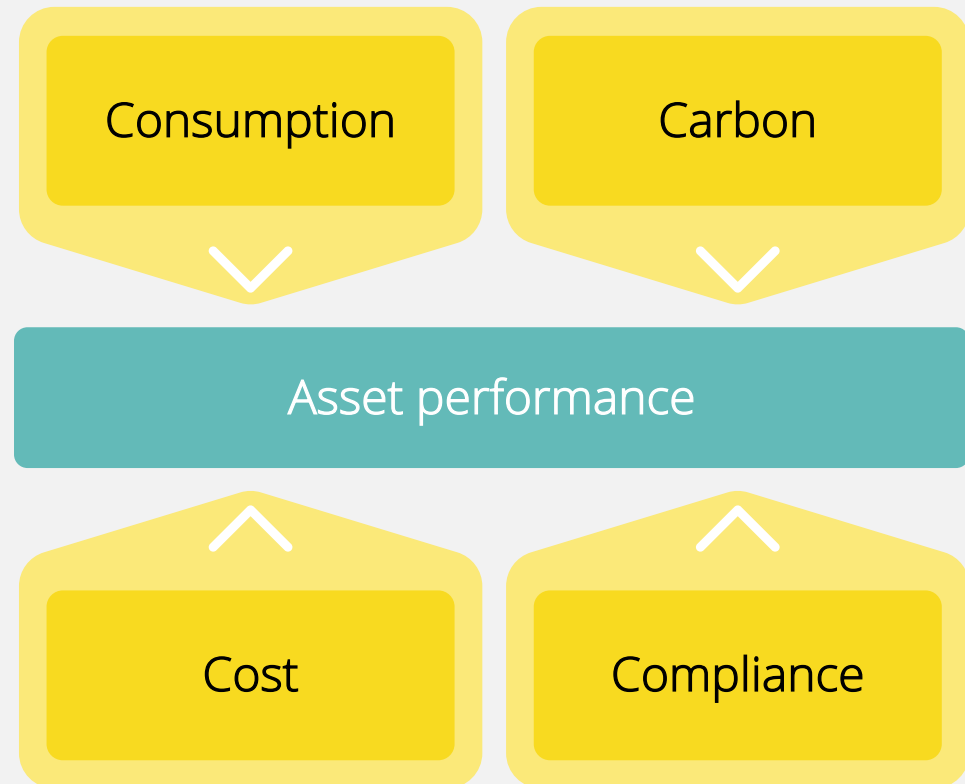
RAISING STANDARDS

Raising standards across the student housing sector for governance, safety and transparency



Improving environmental performance

- Focus on the 'four Cs'
 - Lower energy **consumption** by encouraging responsible living habits
 - **Carbon** savings for operational properties and new developments from cradle to grave
 - **Cost** reduction opportunities through energy saving initiatives
 - **Compliance** with current and future regulation e.g. EPC certification
- £5-7m p.a. in capex (Unite share)
 - <10 year NOI payback



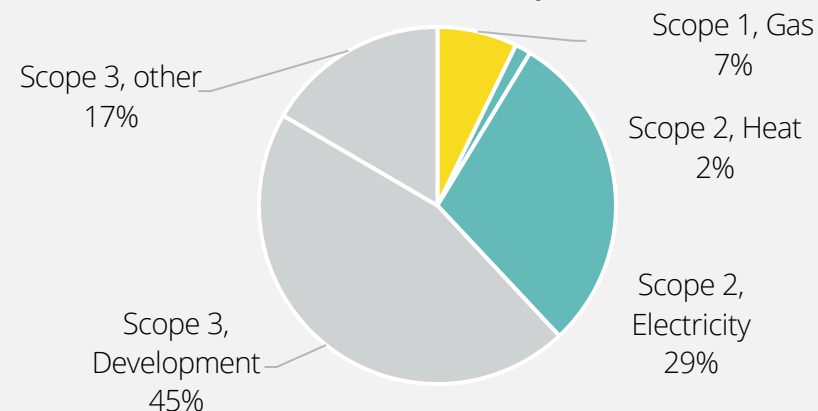
Net zero carbon

- 2030 net zero commitment for operations and development
- Unite emissions include students' energy use

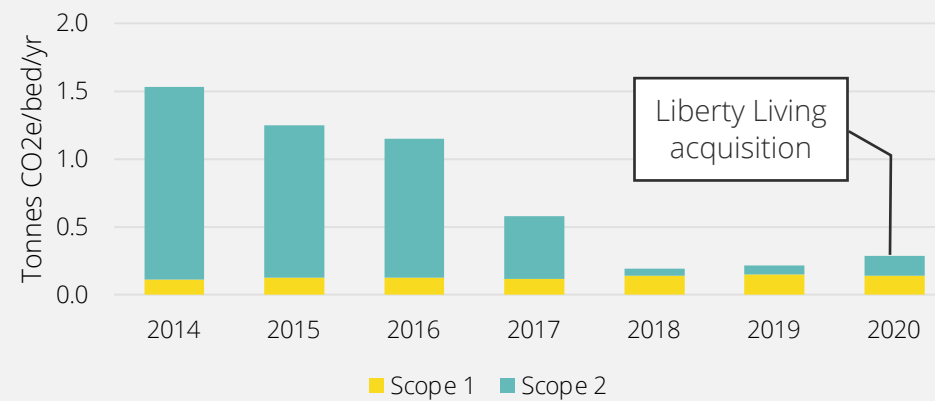
How we'll get there:

- 28% reduction in operational energy intensity
- 100% sourcing of renewable energy
- >20% reduction in embodied carbon
- Net zero pathway to be published in Q4 2021 including science-based targets

2019 GHG emissions by source



Scope 1 + 2 (market based) emissions per bed



Making our buildings net zero carbon



DECARBONISING OUR ENERGY SUPPLY

We will purchase 100% renewable electricity, and increase the amount coming from new, unsubsidised sources by buying via corporate PPAs



CUTTING EMBODIED CARBON

We are working to reduce embodied carbon of new developments through innovative design, and choice of materials



REDUCING HEAT LOSS

New builds with high levels of insulation and air-tightness. Retrofit upgrades to insulation and glazing in existing properties where feasible



GREENING OUR FLEET

EV charging for company and customer vehicles, combined with additional battery storage to support the national grid



ON-SITE RENEWABLE ENERGY

Solar PV included in new builds and installed on existing buildings where feasible to reduce use of grid electricity



CUTTING OUT FOSSIL FUEL USE

New builds using heat pumps or district heating connections, and replacement of old gas boilers and electric hot water cylinders with new air-source heat pumps where feasible



LED LIGHTING AND CONTROLS

Use of high efficiency LED lighting and controls across new and existing buildings to significantly cut energy use



STUDENT ENGAGEMENT

Our Positive Impact programme helps students and employees adopt lasting sustainable habits



SMART BUILDING CONTROLS

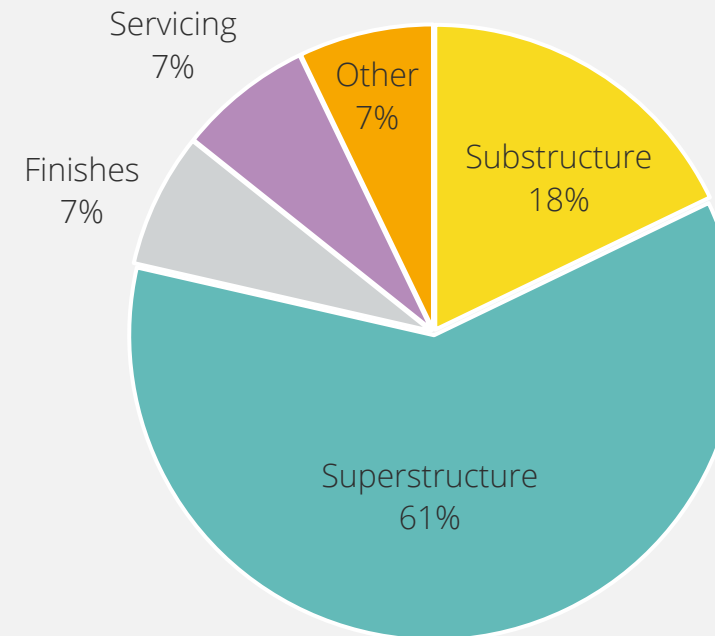
Electric heating controlled by networked smart controllers that optimise energy use and comfort. Used to retrofit existing buildings and as part of our new build specification



Net zero development

- >20% reductions identified in embodied carbon
 - Savings from low-carbon concrete and finishes
 - Targeting 40% by 2030
- TP Paddington, London and Abbey Lane, Edinburgh to be delivered as our first net zero buildings
- Higher build costs offset in reduced land pricing
 - Net zero becoming a planning requirement
 - Expect a 'green premium' to emerge in PBSA
- Operational carbon also a key focus
 - >70% of whole-life emissions

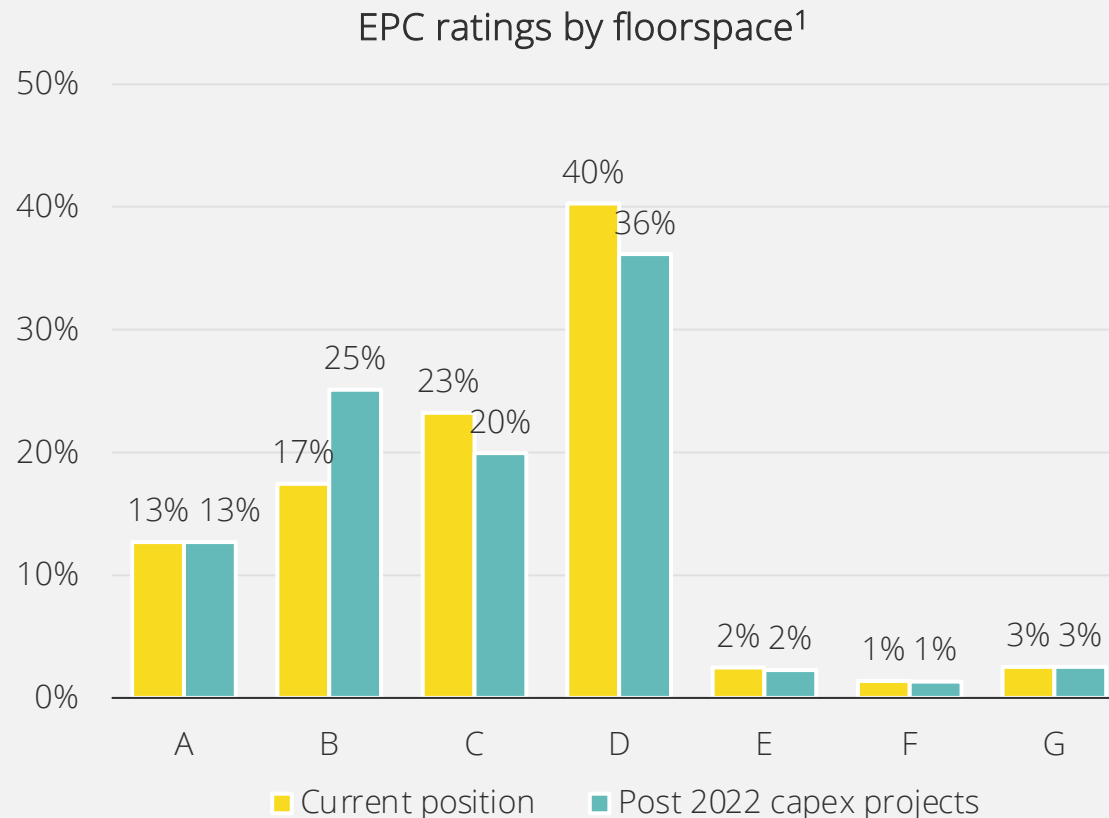
Breakdown of embodied carbon on development¹



1. RIBA stages A1-A5

EPC ratings

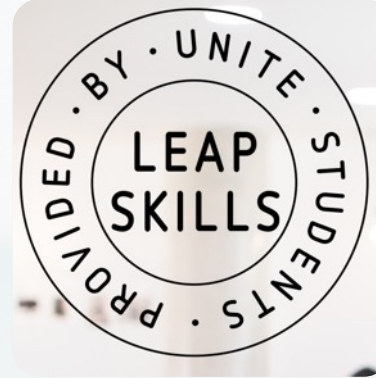
- 53% of portfolio is currently A-C rated
 - Fully compliant with current regulations
 - Improvement projects for a further 8% of floorspace in 2021/22
 - Developments targeting 'A' rating
- Variety of improvement measures
 - LED lighting
 - Heating controls
 - Air-source heat pumps
- Compliance costs part of £1,000/bed p.a. protective capex



1. F and G rated properties located in Scotland and compliant with Section 63 Regulations

Helping young people succeed

- Clear link to our Home for Success purpose
 - Supporting transition to University
 - Widening access to post-18 education
 - Helping students to achieve more
- 500 Unite Foundation scholarships since 2012
 - 29 partner Universities
 - Demonstrable impact for students
- Leapskills programme developed to help bridge the gap between school and University
- Target to invest c.£1.5m p.a. in social initiatives



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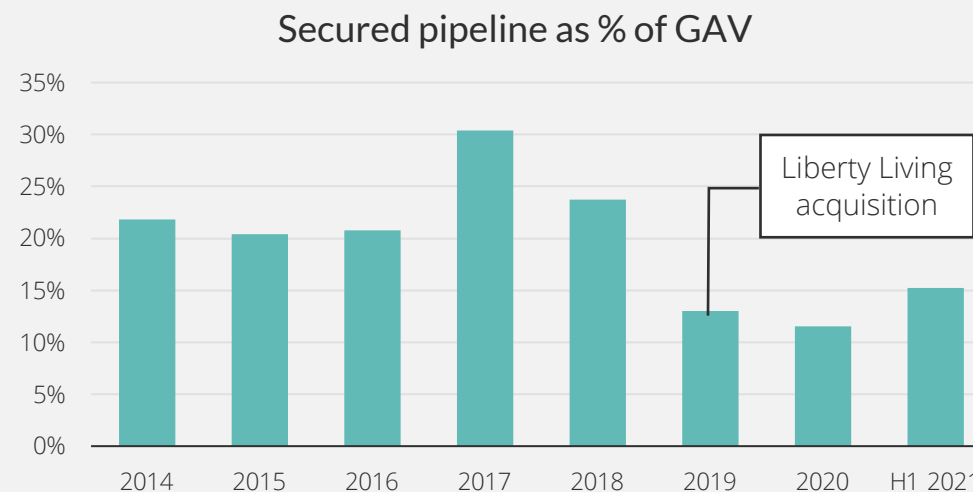
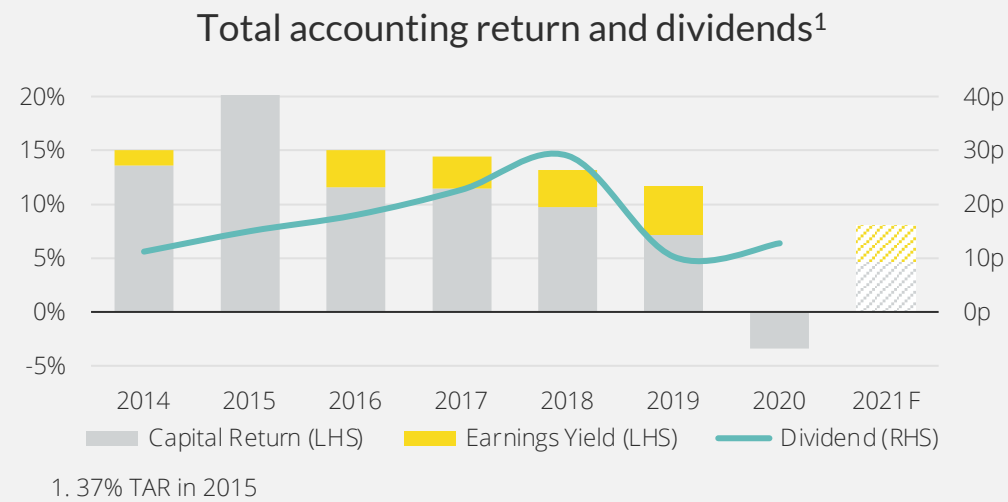
Financial outlook

Joe Lister, Chief Financial Officer



Our financial priorities

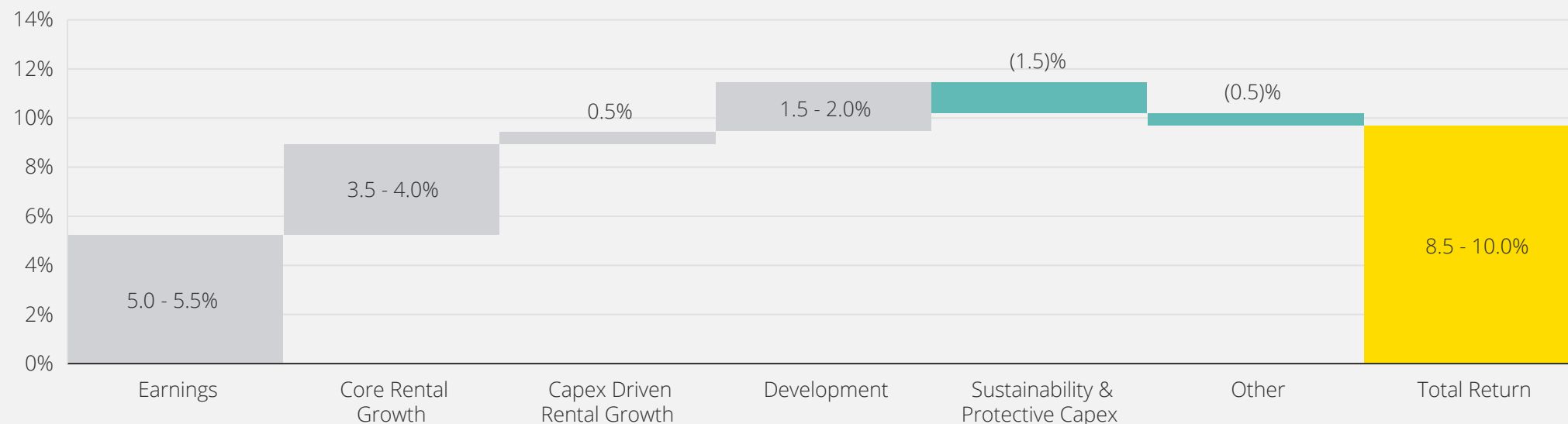
1. Delivering attractive returns
 - Target total accounting returns of 8.5-10% (3.9% in H1)
 - Dividend growing to 80% of earnings
2. Sustainable growth in income and NAV
 - Growing quality and quantum of earnings
3. Maintain balance sheet discipline
 - LTV 30-35%



Delivering attractive returns

- Returns underpinned by earnings and sustainable rental growth of 3.0-3.5%
 - 0.5-1.0% from asset management initiatives
- Development and asset management delivers best return on capital
- c.£1,000/bed p.a. to be invested in sustainability, lifecycle and fire safety

Illustrative breakdown of total accounting returns^{1,2}



1. Core rental growth reflects leverage effect of rental growth on GAV
2. Other includes allowance for transaction costs, tax and refinancing costs

Delivering growth in income & NAV

- Outlook for earnings growth of 6-8% p.a. from stabilised 2022 position
 - Rental growth
 - New openings less disposals
 - Margin improvement
- Dividend pay-out ratio of 80% targeted in 2022
- Outlook for NAV growth of 4-6% p.a.
 - Rental growth less capex
 - Development profits

Key drivers of earnings growth

	Annual investment /(divestment)	Annual EPS impact ¹	Annual NAV impact
Rental growth		2-3p	25-30p
Asset management	£35-50m	0.5-1.0p	2-3p
Development	£200-250m	3-4p	15-25p
Disposals	£150-200m	(2)-(3)p	-p
Capex	£1,000/bed (£45m)	(0.1)-(0.3)p	(7)-(10)p

1. Assumes marginal cost of debt of 2.5%

Leading in fire safety

Fire safety is a critical part of our strategy

- Linked to our Home for Success purpose
- One of the first companies to remove ACM cladding
- 15 buildings remediated or works underway
- All buildings remain operational and 'safe to occupy'

Further investment required

- Façade assessments underway
- Increasing investment required to meet new and emerging regulation

Claims ongoing with contractors

- Successful with claims on 4 buildings to date

ACM and HPL

Spent to date £15m

Provision, H1 2021 £45m

Further investment

Part of £1,000/bed p.a. protective capex

Claim recovery

Recovered to date £10m

Estimated claims 50-75% of cost

Opportunities for University partnerships

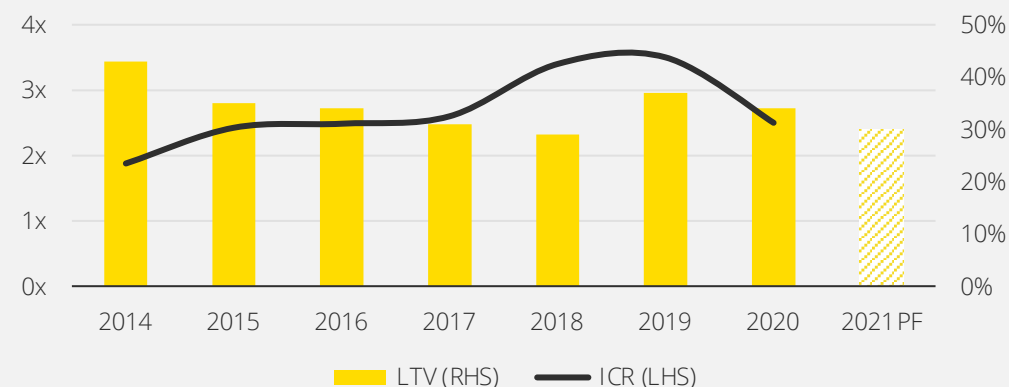
- Universities facing financial and operational constraints
- Unite able to unlock operational efficiencies alongside new accommodation
- Partner of choice, reflecting our response to the pandemic

	Off-campus development	On-campus development	Stock transfer
Demand	<ul style="list-style-type: none"> • 8-10 target markets 	<ul style="list-style-type: none"> • c.20 potential partners • 3 active discussions 	<ul style="list-style-type: none"> • Opportunity led
Unite offer	<ul style="list-style-type: none"> • Nomination-led development 	<ul style="list-style-type: none"> • JV delivery model 	<ul style="list-style-type: none"> • Leading operator • Capital investment
Strategic fit	<ul style="list-style-type: none"> • Strongest University partners • Existing track record 	<ul style="list-style-type: none"> • Partner of choice • Long-term, stable income 	<ul style="list-style-type: none"> • Best locations • Refurbishment opportunities
Target returns	<ul style="list-style-type: none"> • 6-7% yield-on-cost 	<ul style="list-style-type: none"> • 6-7% yield-on-cost • 13-15% levered IRR 	<ul style="list-style-type: none"> • 9-11% levered IRR
Track record	<ul style="list-style-type: none"> • 4 completed • 5 in pipeline 		<ul style="list-style-type: none"> • Aston Student Village
Timeline	<ul style="list-style-type: none"> • 1-2 deals p.a. 	<ul style="list-style-type: none"> • Major strategic decision 	<ul style="list-style-type: none"> • Longer-term opportunity

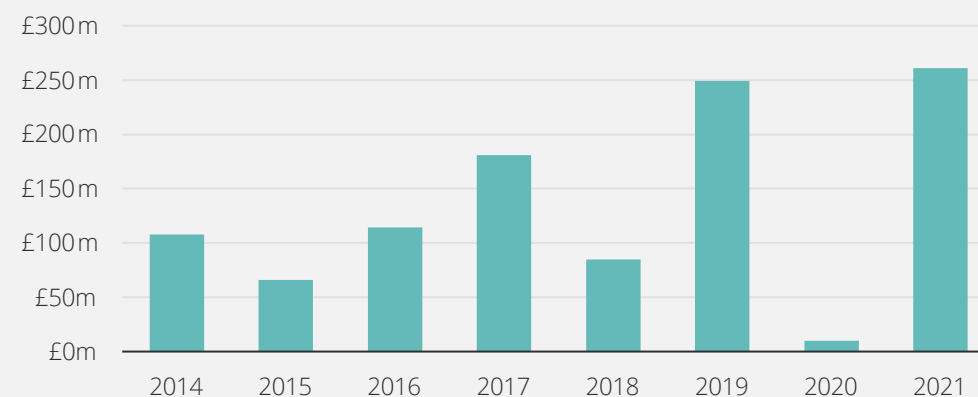
Maintaining balance sheet discipline

- Development commitments at 15% of GAV
- Seek to fund £250-300m of development and asset management capex from disposals and value growth
- Maintain long-term LTV target of 30-35%
 - Improving ICR and net debt:EBITDA
 - Credit rating outlook upgraded to Positive
- Additional / new growth funded by new equity
- New £450m sustainability-linked RCF
 - Linked to reductions in carbon emissions, improvements in EPC ratings and social initiatives

LTV and ICR



Disposals (Unite share)



Recovery & growth in earnings

- Earnings substantially recovered in FY2022
- Anticipate normalised performance from FY2023

£m	FY2021	FY2022	FY2023	Comment
Occupancy:				
2020/21	88%	-	-	
2021/22	94%	94%	-	Grade inflation concentrating demand in strongest markets
2022/23	-	~97%	~97%	Normalisation of travel and A-Level grading
Summer income	-	£10-15m	>£15m	Expect to offer full Summer proposition in 2022
Income shortfall vs run-rate	£50m	£20-25m	£-m	
Rental growth	2.3%	3.0-3.5%	3.0-3.5%	2.5-3.0% market and 0.5-1.0% capex-led

Protection against inflation



Income

- 70% of multiyear nominations have RPI inflators, 20% CP-linked
- Annual re-pricing of direct-let and single-year nomination agreements



Staff costs

- Efficiencies driven by our scale and investments in technology
- National Living Wage employer



Utilities

- Electricity fully hedged for 2022, 50% for 2023
- Gas spend <0.5% of rent, fully hedged through 2023
- Opportunities to fix costs through new Power Purchase Agreements for renewable supply



Development costs

- Costs fixed for 2022 schemes
- c.10-20bps risk to yield-on-cost on 2023 schemes
- Expect pricing to stabilise as supply chains recover
- Design efficiencies and rental upside to mitigate cost growth

7

Summary

Richard Smith, Chief Executive



Home for Success



1

Structurally growing sector

- Demographic growth
- Rising HE participation
- Growing international demand



2

High-quality portfolio

- Aligned to the strongest Universities
- Investing to enhance our operational estate



3

Best-in-class operating platform

- Over 60 University relationships
- Sector-leading operating margins



4

High visibility over returns

- Sustainable rental growth of 3.0-3.5% p.a.
- 5,000-bed development pipeline



5

Substantial growth opportunities

- Market share gains from HMO sector
- Development of 1,500 beds p.a.
- New University partnerships



6

Leadership in sustainability

- Net zero carbon by 2030
- Helping students succeed

Our properties in Manchester



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STUDENTS

Thanks