

# A SUCCESSFUL DELIVERY



# Delivering high-quality earnings

- High-quality income with visible earnings growth prospects
- Confidence in dividend growth

## Maintaining our market leading platform

- Excellent progress with our focus on quality
- Reservations and nominations at record levels

# Actively positioning the portfolio for income and future growth

- Strong earnings growth and leverage reduction
- Rental growth 3.0 3.5% remains on track

# Market dynamics remain favourable

- Student numbers remain strong
- Supply not meeting demand

	30 Jun 2017	30 Jun 2016	31 Dec 2016
EPRA Earnings	£40.4m	£36.1m	£61.3m
EPRA EPS	18.0p	16.3p	28.6p
EPRA NAVps	669p	620p	579p
Dividend per share (interim/full year)	7.3p	6.0p	18.0p
See-through LTV ratio	30%	35%	34%
Reservations*	91%	89%	n/a
Secured future development NAV uplift	46pps	68pps	45pps

<sup>\*</sup>Reservations as at 25 July





# CLEAR MARKET LEADING SERVICE PLATFORM



## Strong sales performance

- 91% reserved for 2017/18
- 59% nominations and 26% rebookers
- On track for rental growth of 3.0 3.5%
- 65% of direct lets are returning students
- China office and website driving sales

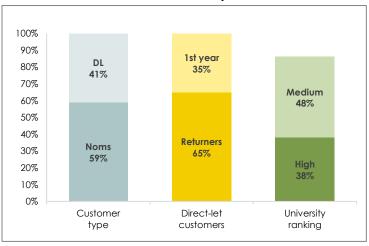
# Fully implemented sector leading service platform

- Drives customer service high customer and University satisfaction scores
- £5 million cost saving programme (Unite share: £3.8 million)
- On track to hit efficiency targets in 2018
- Streamlined bookings process improving conversion

# Increasing brand and service differentiation and ongoing investment

- Wi-Fi upgraded to 70Mbps
- Enhanced app
- Student ambassadors
- University adopted welcome programme
- Employability app launching in November

#### **Customer analysis**



#### Living with Unite app





# HIGH-QUALITY PORTFOLIO



### High-quality portfolio positioned in high-quality locations

- 73% in top 10 markets
- 91% beds in markets where Unite is no.1 / no.2 operator
- 45% in London (by value)
- 85% aligned to high and mid-ranked Universities and TEF Gold and Silver

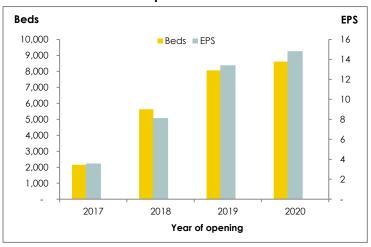
# Active portfolio recycling enhancing quality

- Increased University partnerships, clusters and enhanced alignment to quality Universities
  - o £181 million sold at 3% premium
  - £113 million invested in ASV

# Delivering high-quality earnings

- On track to deliver 3.0 3.5% rental growth
- 8,600 beds adding 14 16 pps

#### **Development deliveries**



Source: Unite

	2017/18	2016/17
Clusters	92%	90%
Average age	8 years	8 years
Average price point*	£137	£134

<sup>\*</sup> Regional

# QUALITY INCOME THROUGH UNIVERSITY PARTNERSHIPS



# Increased focus on quality and length of nominations agreements

- 59% income secured through noms 5,000 additional beds in the last three years
- 6 years remaining life
- High level of repeat bookings
- Index linked rental growth

# Aligned to strongest Universities

# Delivering value for money

- Wide range of product and price points
- Growth focused on more mainstream product
  92% clusters

## Independent Universities trust scores at highest ever level

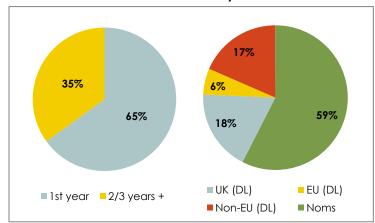
- Supports rebooking and University loyalty

#### **Nominations agreements**

Length	Beds	% beds	% income
1 year	9,794	33%	31%
2-5 years	10,397	36%	39%
5+ years	8,902	31%	30%
	29,093	100%	100%

Source: Unite

#### **Customer analysis**



Source: Unite









	% change	30 Jun 2017	30 Jun 2016	31 Dec 2016
Income				
EPRA earnings	12% ↑	£40.4m	£36.1m	£62.7m
EPRA EPS	10% ↑	18.0p	16.3p	28.6p
Dividend per share (interim/full year)	22% ↑	7.3p	6.0p	18.0p
Balance sheet				
EPRA NAVps	4%↑	669p	620p	646p
See-through LTV	4%↓	30%	35%	34%
Cash flow				
Operations cash flow	18% ↑	£38.0m	£32.1m	£61.3m

# UNITE STUDENTS

# **EARNINGS GROWTH MOMENTUM MAINTAINED**

	30 Jun 2017 £m	30 Jun 2016 £m	31 Dec 2016 £m
Total income	176.0	167.5	304.9
Unite's share of rental income	92.4	86.9	159.1
Unite's share of property operating expenses	(21.7)	(20.6)	(42.8)
Net operating income (NOI)	70.7	66.3	116.3
NOI margin	76.5%	76.3%	73.1%
Management fees	7.5	7.0	14.0
Operating expenses	(12.2)	(12.2)	(23.1)
Finance costs <sup>1</sup>	(23.6)	(22.2)	(45.9)
Net performance / acquisition fee	0.8	0.5	6.9
Development and other costs	(2.8)	(3.3)	(5.5)
EPRA earnings	40.4	36.1	62.7
Adjusted EPRA EPS	18.0p	16.3p	27.7p

<sup>&</sup>lt;sup>1</sup> Finance costs include net interest of £8.9m and lease payments of £7.0m on sale and leaseback properties

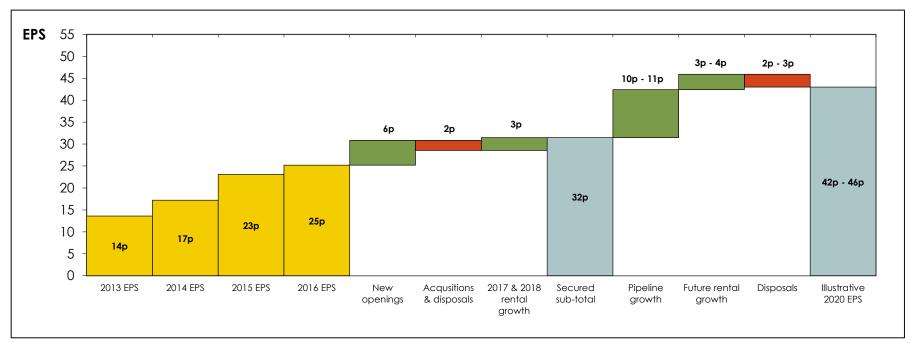
# HIGHLY VISIBLE EARNINGS GROWTH PROGRESSION



# Earnings growth prospects supported by:

- High-quality development programme
- Positive rental growth outlook

- Progressive dividend aligned to earnings growth and dependable income
  - 75% pay out



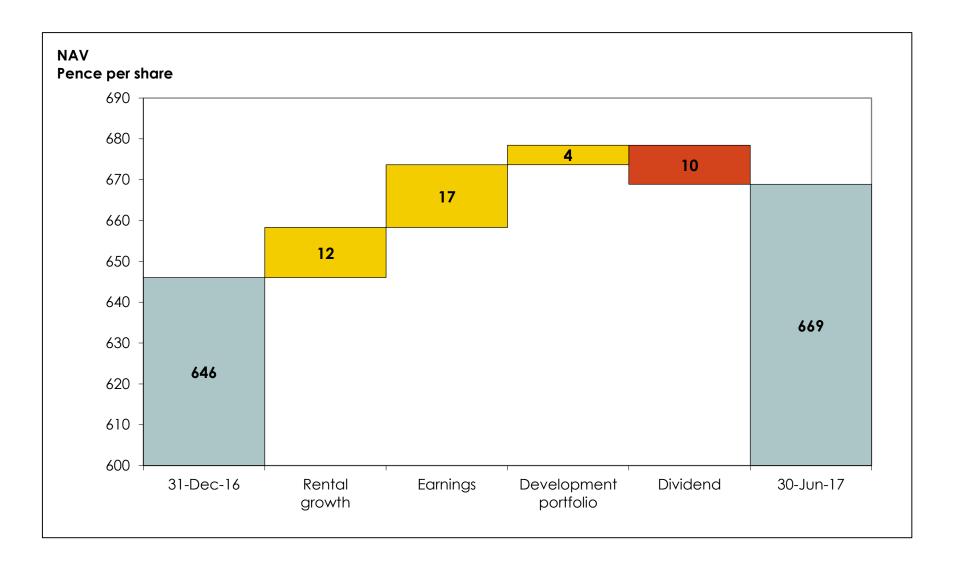
#### Assumptions:

- Development pipeline delivered in line with forecast
- Rental growth of 2-4% pa
- Efficiency targets delivered, then increase with inflation
- Convertible has reduced outlook by c.1p
- Future disposals of £75-£125m

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

# GROWING PROPORTION OF EARNINGS





# STRONG CAPITAL STRUCTURE



# Strong debt position

- Diversified sources and balanced maturity profile
- Limited refinancing requirements before 2020

#### LTV reduced to 30%

- Disposal activity
- Convertible bond

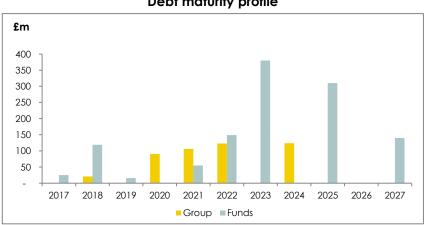
## Leverage targets maintained at current levels

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

#### Key debt statistics (see-through)

	30 Jun 2017	30 Jun 2016	31 Dec 2016
Net debt	£696m	£827m	£776m
LTV	30%	35%	34%
Cost of debt	4.2%	4.4%	4.2%
Average debt maturity (years)	5.2	5.5	4.9
Proportion investment debt fixed	93%	84%	100%

#### Debt maturity profile



# CO-INVESTMENT VEHICLES CONTINUING TO DELIVER



# Strong performance across USAF and LSAV

#### USAF forward funds

- Acquired three further forward funds in Durham and Birmingham
- LSAV has £125 million acquisition capacity for London development
- Growing asset management fee income
  - Asset management fee up 7% to £7.5 million
  - No performance fee recognised in H1 2017 (2016: nil)
- Continuing support from co-investment partners
  - £35 million of units traded in H1 at small premium to NAV
  - No redemptions received

#### **Summary financials**

Summary financials						
	USAF £m	LSAV £m				
GAV	2,076	1,084				
Net debt	(499)	(307)				
Other assets/liabilities	(18)	(21)				
NAV	1,559	756				
Unite share of NAV	366	378				
LTV	24%	28%				
Unite stake	23%	50%				
Maturity	Infinite	2022				
Unite fees in period						
Asset/property management	5.2	2.3				
Acquisition fee	0.3	0.5				
Net performance fee		-				
	5.5	2.8				



# **ROBUST INVESTOR DEMAND**

# UNITE STUDENTS

#### Active and diverse investor base

- £1.9 billion traded in H1 2017
- c.£5 billion forecast for 2017

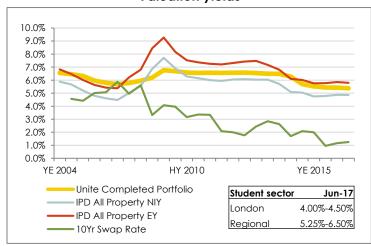
## Buyer demand outstrips supply

- Good liquidity for all assets
- Underpinned by sector fundamentals and rental growth outlook
- Premium of 5 10% paid for portfolios
- Outlook for similar level of transactions in H2

### Unite yields remain stable

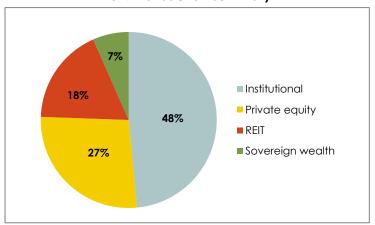
- H1 yields flat on a like-for-like basis 5.3% average
- No portfolio premium

#### Valuation yields



Source: Unite

#### 2017 transaction summary



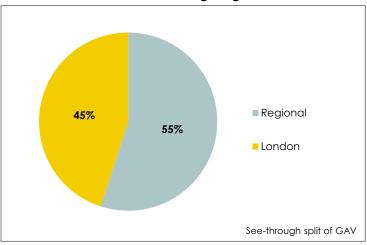
Source: Unite

# **UNPARALLELED PORTFOLIO**

UNITE STUDENTS

- Actively improving portfolio quality through recycling
- £472 million assets sold in H1 (Unite share: £181 million) at 3% above book value
  - Reducing exposure to studios and lower ranked Universities
- £227 million investment in ASV (Unite share: £113 million)
  - 2,000 bed nominations in place for 2017/18
- Insight led approach to portfolio strategy
  - University relationships
  - Customer insight
  - Deep local knowledge
- Continuing to target growth in key cities
  - Acquisitions, forward funds, development and University partnerships

#### **London weighting**



Source: Unite



# **DEVELOPMENT DELIVERIES ON TRACK**



# Highly accretive secured pipeline

- 2017 projects completing
- 2018 pipeline secured, with planning and under construction
- 2019 and 2020 building momentum

# USAF forward funds pipeline growing

 No development risk and lower yield on cost

### Highly visible source of future growth

- 46 pence to NAV per share
- 14 16 pence to EPRA EPS
- Development pipeline further improves portfolio quality

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Forecast yield on cost
Regional wholly owned					
St Leonard's, Edinburgh	2017	581	65	41	9.5%
Millennium Way, Coventry	2017	391	34	24	8.8%
Tara House, Liverpool	2017	776	63	46	9.3%
Newgate Street, Newcastle	2018	575	45	37	8.5%
Brunel House, Bristol	2018	232	28	21	8.5%
Chaucer House, Portsmouth	2018	484	41	33	8.0%
St Vincent's, Sheffield	2018	600	47	37	8.2%
International House, Birmingham	2018	586	48	38	8.0%
Skelhorne Street, Liverpool	2019	1,085	92	74	8.0%
Old BRI, Bristol <sup>1</sup>	2019	751	96	79	8.4%
Constitution Street, Aberdeen	2019	600	50	41	8.4%
New Wakefield, Manchester <sup>1</sup>	2020	552	67	52	8.2%
Total regional wholly owned		7,213	674	521	8.5%
USAF – forward funds					
Lutton Court, Edinburgh	2017	237	33	29	6.0%
Beech House, Oxford	2017	167	23	18	6.3%
Old Hospital, Durham	2018	363	37	32	6.1%
Houghall College, Durham	2018	222	20	16	6.1%
Battery Park, Birmingham	2019	418	43	37	6.6%
Total USAF		1,407	156	132	6.1%
Unite share of USAF		-	37	31	6.1%
Takal nin alia a (IIn'ilayah awa)		0.400	711	550	0.007
Total pipeline (Unite share)		8,620	711	552	8.3%

<sup>&</sup>lt;sup>1</sup> Subject to obtaining planning consent



# WELL POSITIONED FOR CONTINUED GROWTH



# Actively positioning the portfolio for income and growth

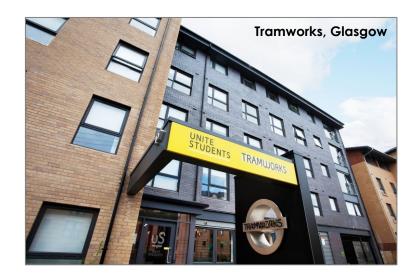
- Unparalleled property portfolio
- University partnership opportunities emerging

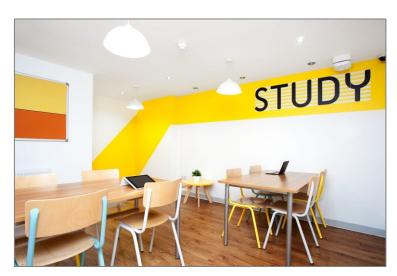
## Maintaining our market leading platform

- Most experienced and committed operator in the sector
- Focus on great customer service for students and University partners
- Efficient and scalable operating platform

# Delivering high-quality earnings

- Earnings growth visibility
- Dependable income from nominations agreement
- Positive rental growth outlook





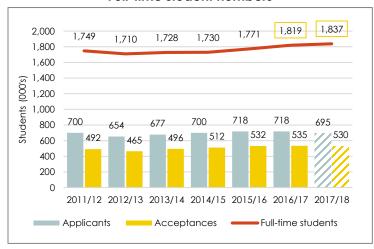


# STUDENT NUMBERS REMAIN STRONG

UNITE STUDENTS

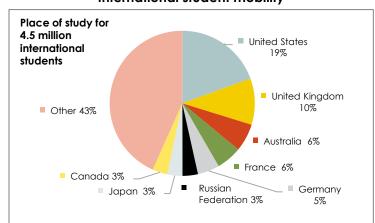
- Overall student numbers expected to be up c.20,000 in 2017/18
- 2017 student intake expected to be in line with 2016
  - Participation rates increasing offsetting 4% reduction in applications
  - Application falls have limited impact on Unite customers
- Applications and intake strongest at quality Universities
- International student demand remains strong
  - UK remains 2<sup>nd</sup> most popular destination
  - Limited exposure to EU students
- Introduction of Teaching Excellent Framework
  - Expected to influence students choice

#### **Full-time student numbers**



Source: UCAS, HESA, Unite estimates

#### International student mobility



Source: Education at a Glance 2016, OECD



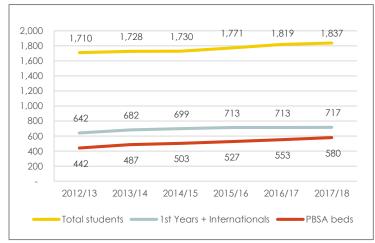
# MARKET REMAINS UNDERSUPPLIED



# 580,000 purpose-built beds for 717,000 1st year and international students

- 300,000 University owned
- 280,000 corporately owned
- University stock remains flat
- Corporate supply
  - c.25,000 expected in 2018
  - c.15,000 20,000 expected in 2019
- Increasing proportion of 2<sup>nd</sup> and 3<sup>rd</sup> years choosing PBSA

#### Students and supply



Source: HESA, Unite



# FIRE SAFETY OVERVIEW



# Full review of fire safety at all 132 properties undertaken post Grenfell

- Working closely with DCLG and local fire authorities
  - Cladding samples submitted to Department for Communities and Local Government (DCLG) for preliminary tests – six buildings did not meet the initial test
  - ACM cladding represents c.25% of cladding on four of the buildings and 70% on two buildings
  - DCLG have subsequently announced second phase of testing we await the outcome
  - Local fire and rescue have now visited and reviewed the design of the six properties and our safety systems and procedures
  - Buildings remain safe for occupation
- We will ensure our buildings meet and exceed regulations and requirements
  - Financial cost of any upgrades not expected to be material

# **FIRE SAFETY SYSTEMS**



# Fire safety is a priority at Unite

- Work in partnership with Avon Fire Authority as our primary authority
- Audited by British Safety Council in last 12 months
- Buildings are modern, purpose built
- Rigorous fire safety management and maintenance regimes

# Fire safety systems at Unite

- Automated alarm systems linked to 24/7 Emergency Control Centre
- Every bedroom, kitchen, corridor and common areas has smoke or heat alarm linked to alarm system
- Regular alarm test, evacuation drills and inspections
- Fire safety training for day and night staff
- Whole building approach provision of white goods, fire compartmentation, fire doors

# PRODUCT AND SERVICE OFFERING

# UNITE STUDENTS

# 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

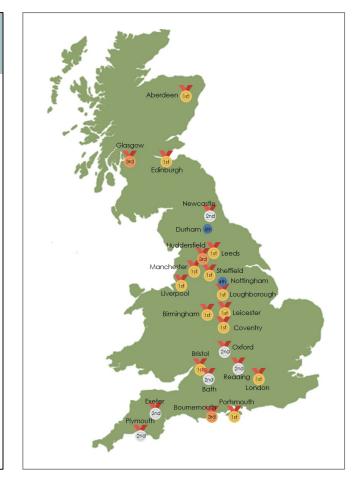




# **OUR TOP 10 MARKETS**



2017 rank	City	Completed beds (17/18	FT student numbers (15/16)	Market Position	Market Share
1	London	9,541	292,706	1	3.5%
2	Birmingham	4,846	57,767	1	8.4%
3	Sheffield	3,731	51,095	1	7.3%
4	Bristol	3,479	41,286	1	8.4%
5	Leeds	3,458	53,185	1	6.5%
6	Liverpool	3,015	65,664	1	3.4%
7	Manchester	2,336	46,245	1	5.1%
8	Portsmouth	2,222	18,828	1	11.8%
9	Leicester	1,687	33,299	1	5.1%
10	Glasgow	1,633	57,921	2	2.8%
		35,948	717,996	-	5.0%
Proporti	on of Unite portfolio	73%			<del></del>



# UNITE STUDENTS

# SEE-THROUGH BALANCE SHEET AND INCOME STATEMENT

	Wholly owned	USAF (Unite share)	LSAV (Unite share)	Unite see-through	Unite see-through
	£m	£m	£m	Jun 2017 £m	Dec 2016 £m
Balance sheet					
Rental properties	1,051	473	542	2,066	2,085
Properties under development	263	14	-	277	192
Total property portfolio/GAV	1,314	487	542	2,343	2,277
Net debt	(425)	(117)	(154)	(696)	(776)
Other assets/(liabilities)	(17)	(4)	(10)	(31)	(114)
EPRA net assets	872	366	378	1,616	1,557
LTV	32%	24%	28%	30%	34%
Income statement				Six months ending Jun 2017	Six months ending Jun 2016
Net operating income	39.4	15.6	15.7	70.7	66.3
Overheads less management fees	(0.5)	(1.6)	(2.5)	(4.7)	(5.2)
Finance costs	(15.7)	(2.8)	(5.1)	(23.6)	(22.2)
Development/other	(1.7)	(0.1)	(0.2)	(2.0)	(2.8)
EPRA earnings	21.5	11.1	7.9	40.4	36.1

# PORTFOLIO ANALYSIS



		30 June 2017					
		USAF	LSAV	Wholly owned	Lease	Total	Unite
London	Value (£m)	316	848	431	-	1,595	929
London	Beds	1,886	5,406	1,989	260	9,541	45%
Major provincial	Value (£m)	1,380	236	430	-	2,046	872
Major provincial	Beds	17,381	3,067	5,643	2,577	28,668	42%
Provincial	Value (£m)	322	-	190	-	512	266
Provincial	Beds	4,804	-	2,945	1,059	8,808	13%
Total	Value (£m)	2,018	1,084	1,051	-	4,153	2,066
Total	Beds	24,071	8,473	10,577	3,896	47,017	100%
Unite ownership share		23%	50%	100%			
	Value (£m)	473	542	1,051	-	2,066	

# **DEBT FACILITIES**



#### On-balance sheet

	Facility £m	Drawn £m	Maturity					
HSBC/RBS	280	106	2020					
Legal + General	116	116	2022					
Mass Mutual	124	124	2024					
Others	29	29	2018-22					
<u>Unsecured</u>								
Retail Bond	90	90	2020					
Total	639	465	_					

#### Co-investment vehicles

	Facility £m	Drawn £m	Maturity						
USAF									
Secured bond	690	690	2023-25						
Wells Fargo	100	-	2021						
	790	690							
LSAV									
UOB	25	25	2017						
HSBC	135	119	2018						
RBS	16	16	2019						
Wells Fargo	55	55	2022						
L&G	149	149	2022						
Teachers RE	140	140	2027						
	520	504							

# UNITE STUDENTS

# **SECURED DEVELOPMENT PIPELINE**

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Capex in 2017 (£m)	Capex remaining (£m)	Forecast NAV remaining (£m)	Forecast yield on cost
Regional wholly owned								
St Leonard's, Edinburgh	2017	581	65	41	10	3	9	9.5%
Millennium Way, Coventry	2017	391	34	24	10	2	4	8.8%
Tara House, Liverpool	2017	776	63	46	10	3	5	9.3%
Newgate Street, Newcastle	2018	575	45	37	4	25	7	8.5%
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Old BRI, Bristol <sup>1</sup>	2019	751	96	79	1	61	19	8.4%
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Total regional wholly owned		7,213	674	521	64	322	106	8.5%
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Battery Park, Birmingham	2019	418	43	37	0	37	6	6.6%
Total USAF		1,407	156	132	27	75	21	6.1%
Unite share of USAF		-	37	31	6	18	5	6.1%
Total pipeline (Unite share)		8,620	711	552	70	339	111	8.3%

<sup>&</sup>lt;sup>1</sup> Subject to obtaining planning consent