



Delivering Earnings Growth Interim Results

Six months ended 30 June 2016

CONTINUED STRONG PERFORMANCE

■ Strong financial performance

- EPRA earnings up 22% to £36.1 million
- NAV up 7% to 620p
- LTV maintained at 35%
- Interim dividend increased 9% to 6.0 pence

■ Excellent progress with strategic objectives

- PRISM fully implemented and delivering benefits
- Regional development pipeline deepened
- Operational portfolio grown to 49,000 beds

■ Market dynamics remain favourable

- Strong student number outlook
- 89% reservations for 2016/17, supporting full year rental growth of 3.5 - 4.0%

■ Highly visible earnings growth prospects

- Pipeline and rental growth could add 14 to 19 pence pa to EPRA EPS by 2019
- High-quality, scalable platform and financing costs locked in
- Rental growth outlook of 3 - 4% for next year

■ On track for REIT conversion in early 2017

	30 Jun 2016	30 Jun 2015	31 Dec 2015
EPRA Earnings	£36.1m	£29.6m	£61.3m
EPRA EPS	16.3p	14.2p	28.6p
EPRA NAVps	620p	521p	579p
Dividend per share (interim/full year)	6.0p	5.5p	15.5p
Total accounting return	8.7%	22.1%	36.7%
See-through LTV ratio	35%	35%	35%
Reservations*	89%	88%	n/a
Secured future development NAV uplift	68pps	53pps	45pps

*Reservations as at 25 July



A photograph of two young women in a study session. The woman on the right, with long dark hair, is smiling and holding a magazine. The woman on the left, with blonde hair in a ponytail, is looking at her. In the background, a yellow bulletin board has the words 'YOUR ROOM' on it. The scene is brightly lit, suggesting an indoor setting like a library or study hall.

STRATEGY AND MARKET

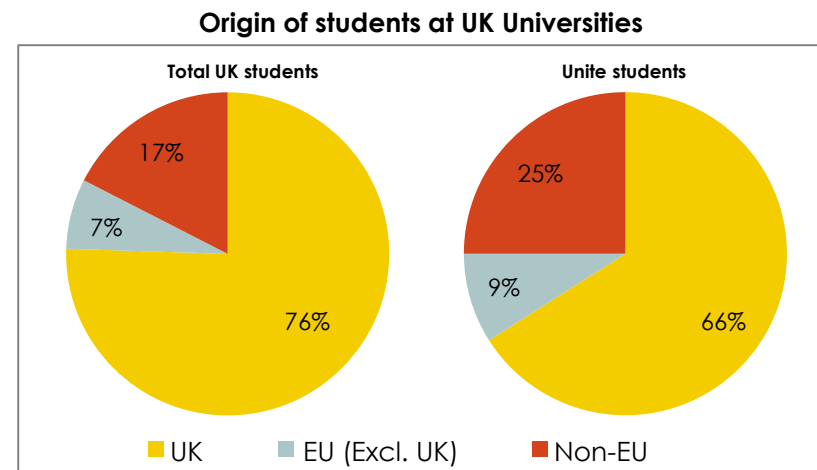
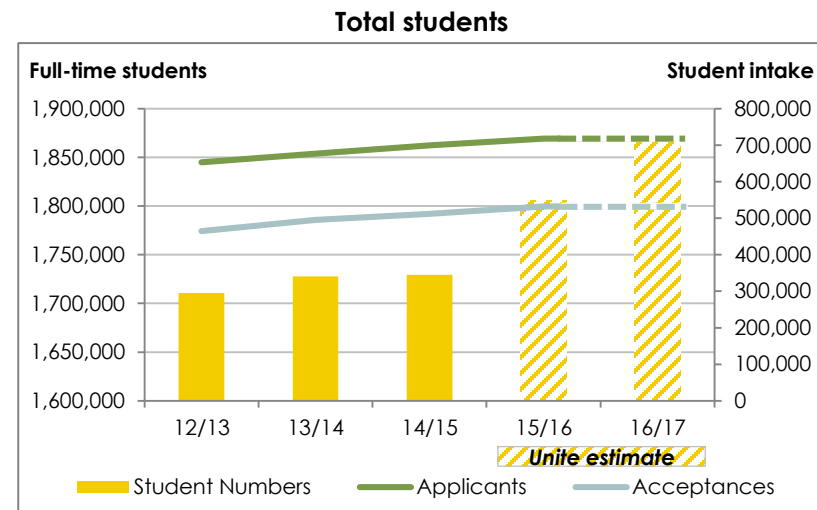
STUDENT NUMBER GROWTH EXCEEDS NEW SUPPLY

■ Student numbers continue to grow

- 2015/16 intake highest ever
- Universities focused on student recruitment in more competitive environment
- Applications support student number growth of 40,000 - 60,000 in 2016/17
- Applications strongest at high and mid-tariff Universities
- Funding arrangements for EU students guaranteed for 3 years
- Medium-term outlook remains positive with a total of 90,000 - 100,000 additional students expected – focused on stronger Universities

■ Supply of new beds constrained

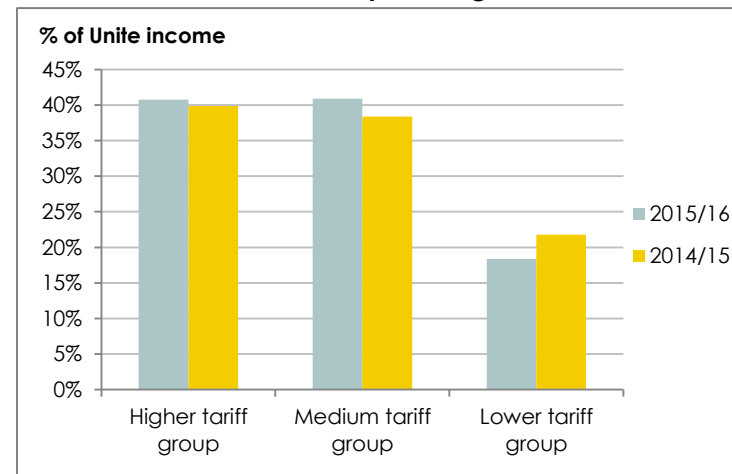
- Planning, land prices and site availability limit new supply in target markets
- Estimate c.25,000 beds pa for next two years – referendum may slow supply in 2018 and beyond



CONSISTENT STRATEGY LEAVES US WELL PLACED

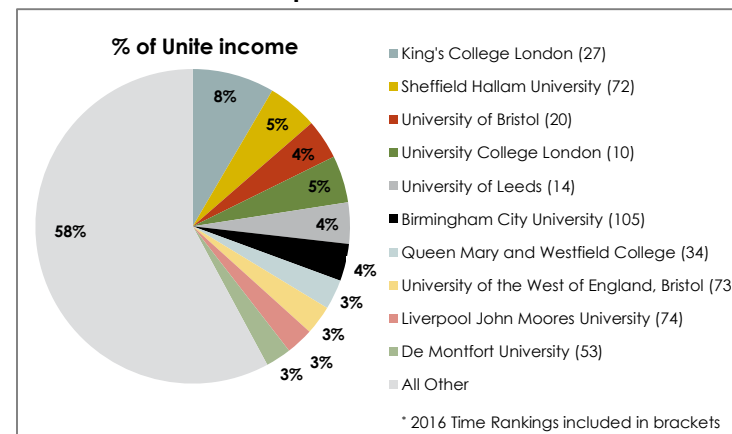
- **Portfolio and pipeline aligned with Universities with strongest growth prospects**
 - 82% aligned to high and mid-tariff institutions – up from 78%
- **University partnerships underpin income and demonstrate quality of brand**
 - 57% nominated rooms for 2016/17
 - 71% nominated rooms on new openings
 - Longer term agreements being agreed with Universities – 10 year average on 2016 openings, 7 years on all agreements
- **Operating platform providing competitive advantage**
 - Implementation of PRISM delivering service and efficiency benefits
 - Occupancy at 89% and rental growth on track for 3.5 - 4.0% in 2016
- **Development pipeline providing earnings growth visibility**
 - Pipeline could add 12 to 15 pence to EPRA EPS by 2019

University rankings



Source: Unite estimates

Top 10 Universities



Source: Unite estimates



STRONG FINANCIAL PERFORMANCE

	30 Jun 2016	30 Jun 2015	31 Dec 2015
Income			
EPRA earnings	£36.1m	£29.6m	£61.3m
Adjusted EPRA EPS	16.3p	14.2p	23.1p
Dividend per share (interim/full year)	6.0p	5.5p	15.5p
Balance sheet			
EPRA NAVps	620p	521p	579p
Total accounting return	8.7%	22.1%	36.7%
See-through LTV	35%	35%	35%
Cash flow			
Operations cash flow	£32.1m	£28.0m	£40.8m



EARNINGS GROWTH MOMENTUM MAINTAINED

■ Continuing improved performance

- High occupancy, rental growth and portfolio growth
- Adjusted EPRA earnings up £6.5 million to £36.1 million
- No performance fee recognised in H1 2016

■ Scale benefits continue to accrue

- Overhead efficiency measure of 46bps annualised achieved – on track for target of 25 - 30bps by end of 2017
- PRISM implementation supporting NOI margin improvement towards target of 75%

■ Interim dividend up 9% to 6.0p

- Pay-out of 65% of recurring EPRA EPS

	30 Jun 2016 £m	30 Jun 2015 £m	31 Dec 2015 £m
Total income	167.5	144.3	277.9
Unite's share of rental income	86.9	77.0	144.3
Unite's share of property operating expenses	(20.6)	(18.5)	(39.8)
Net operating income (NOI)	66.3	58.5	104.5
<i>NOI margin</i>	76.3%	76.0%	72.5%
Management fees	7.0	5.4	12.0
Operating expenses	(12.2)	(9.1)	(21.9)
Finance costs ¹	(22.2)	(25.0)	(48.1)
Net portfolio contribution	38.9	29.8	46.5
USAF acquisition and performance fee	0.5	3.4	22.0
Development and other costs	(3.3)	(3.6)	(7.2)
EPRA earnings	36.1	29.6	61.3
Adjusted EPRA EPS	16.3p	14.2p	23.1p

¹ Finance costs include net interest of £15.2m and lease payments of £7.0m on sale and leaseback properties

HIGHLY VISIBLE EARNINGS GROWTH PROGRESSION

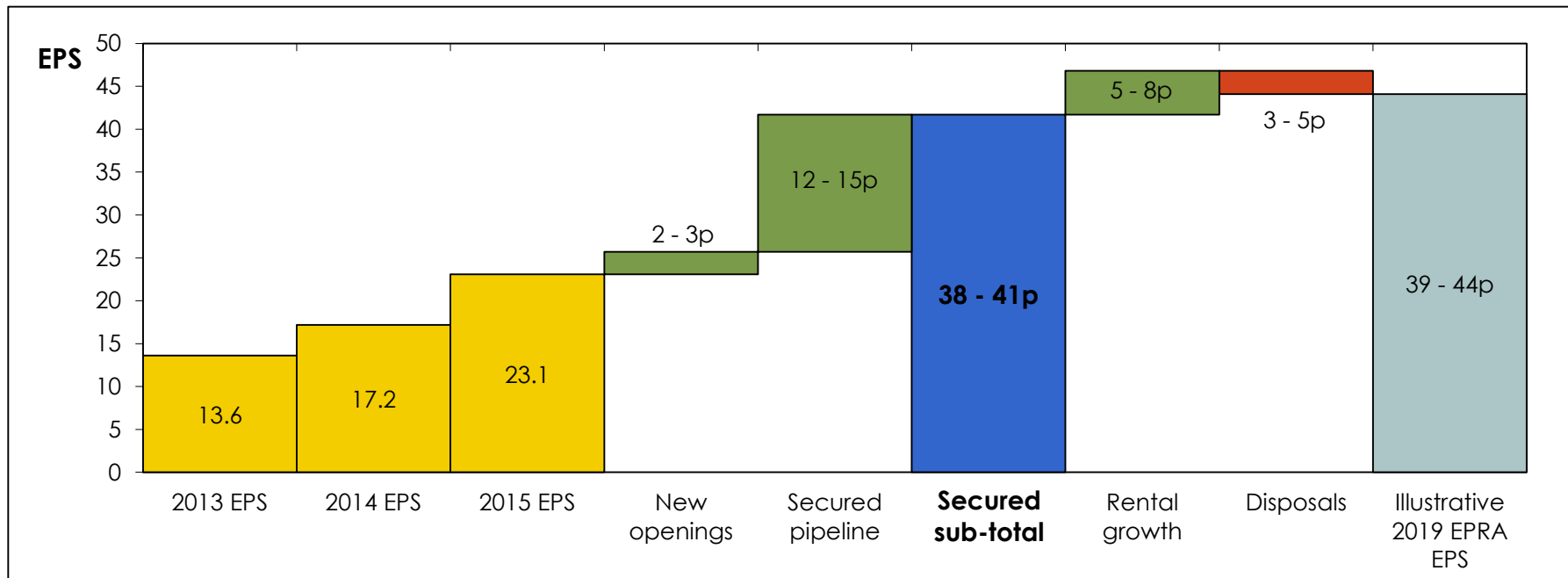
▪ Earnings growth prospects supported by:

- High-quality development programme
- Positive rental growth outlook

▪ Disposals to fund 2019 pipeline

▪ Earnings growth will drive further dividend growth

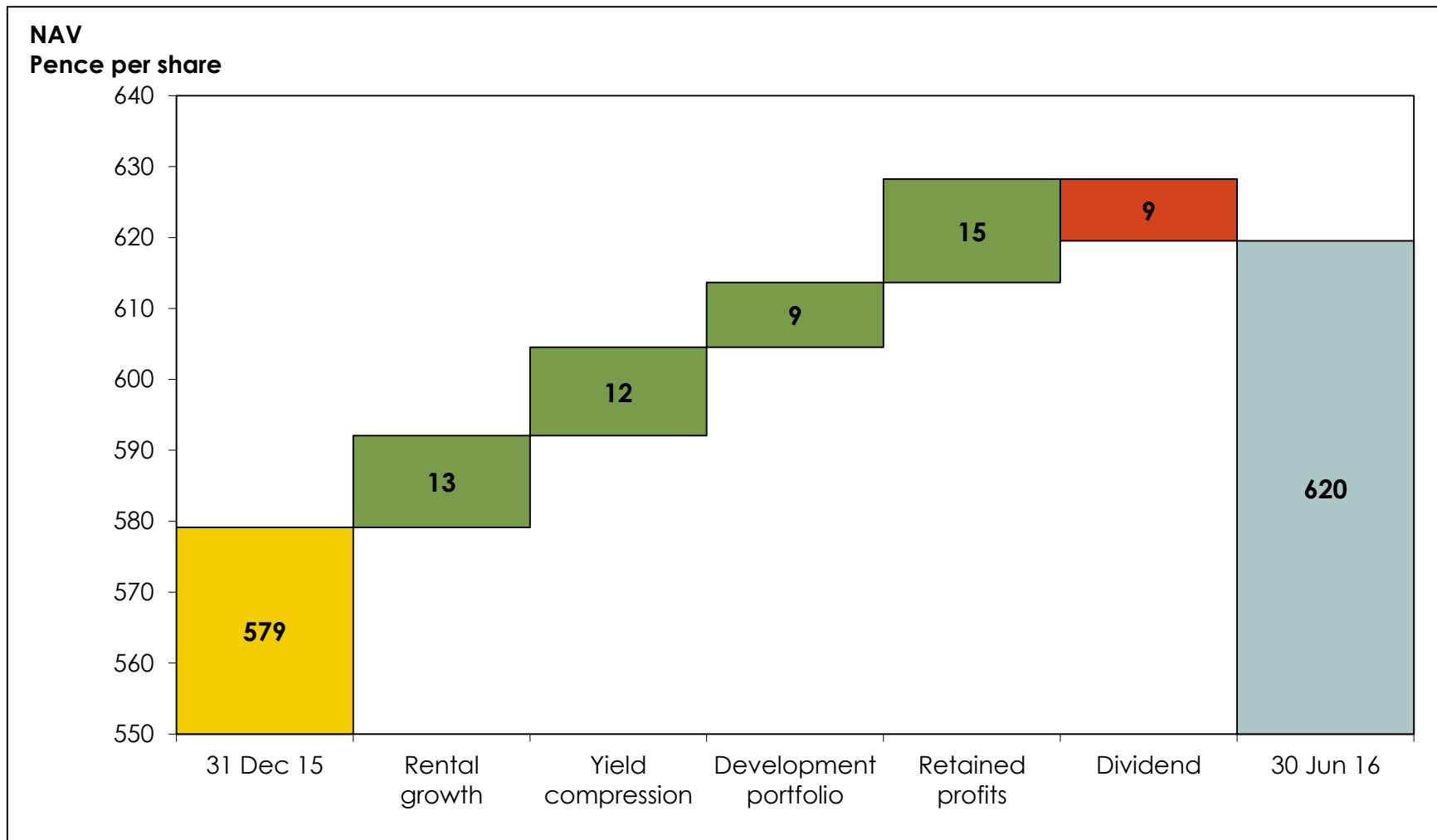
- Policy to pay out 65% of adjusted EPS
- Pay-out ratio to increase to 75% with REIT conversion



Assumptions:

- Development pipeline delivered in line with forecast
- Rental growth of 2 - 4% pa
- Disposals of £150 - 225m assumed over the period
- Conversion of convertible will dilute earnings by c.1p (not shown above)
- Overheads increase with inflation

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



STRONG CAPITAL STRUCTURE

■ Strong debt position

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

■ Opportunity to further reduce average cost of debt

- Forward starting swaps on 2016 and 2017 pipeline should see 10 - 20bps saving

■ LTV maintained at 35% and net debt:EBITDA below 7.0x

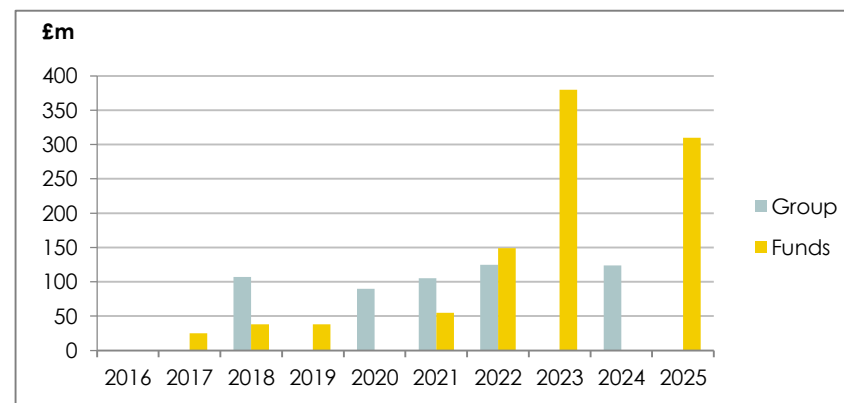
- Target to remain around these levels going forward
- Curzon Gateway sold in July (£44 million) – reviewing options to sell assets to USAF in H2
- On track to deliver £100 - 125 million of disposals in H2
- 2019 development activity to be funded by disposals

Key debt statistics (see-through)

	30 Jun 2016	30 Jun 2015	31 Dec 2015
Net debt	£827m	£646m	£731m
LTV	35%*	35%	35%
Cost of debt	4.4%	4.7%	4.5%
Average debt maturity (years)	5.5	6.1	5.6
Proportion non-bank debt	69%	76%	63%
Proportion investment debt fixed	84%	98%	90%

* LTV is prepared on a proforma basis taking account of a disposal made in July

Debt maturity profile



CO-INVESTMENT VEHICLES PERFORMING WELL

- **Strong performance across USAF and LSAV**
- **USAF has £90 million capacity for acquisitions**
 - Acquired 2 forward fund opportunities in Edinburgh and Oxford, adding 400 beds in 2017
 - Potential to acquire 2016 development assets from Unite in H2
- **LSAV has £125 million acquisition capacity for London development**
- **Growing asset management fee income**
 - Asset management fee up 30% to £7.0 million
 - No performance fee recognised in H1 2016 (2015: £1.6 million)
- **Continuing support from co-investment partners**
 - £52 million of units traded in H1 at small premium to NAV
 - No redemptions received

Summary financials

	USAF £m	LSAV £m
GAV	2,149	970
Net debt	(615)	(343)
Other assets/liabilities	(30)	(15)
NAV	1,504	612
Total return	8%	8%
Unite share of NAV	347	306
LTV	29%	35%
Unite stake	23%	50%
Maturity	Infinite	2022
Unite fees in period		
Asset/property management	5.0	2.0
Acquisition fee	0.5	-
Net performance fee		
- Operational	-	-
- Yield related	-	-
Development management	-	0.7
	5.5	2.7



ON TRACK FOR REIT CONVERSION IN 2017

- **Higher earnings and lower leverage supports REIT conversion**
- **Majority of historic tax losses will be utilised by end 2016**
- **Currently meeting key REIT requirements**
 - Dividend pay-out levels
 - Gearing levels
 - Developing assets for investment purposes
- **Fund management activities will be taxable**
 - £3 - 4 million charge anticipated in 2017
- **Dividend pay-out ratio likely to increase by c.10% post conversion**



UNITE
STUDENTS

DORSET HOUSE

BLOCK A
FLATS A001-A201

BLOCK B
FLATS B001-B308
CYCLE STORE A

BLOCK C
FLATS C001-C309
CYCLE STORE B
LAUNDRY ROOM

PROPERTY REVIEW

INVESTOR DEMAND REMAINS STRONG

Continued investor appetite in H1 2016

- £1.4 billion traded
- Majority of buyers are long-term investors
- No sign of excessive leverage
- Encouraging signs post referendum

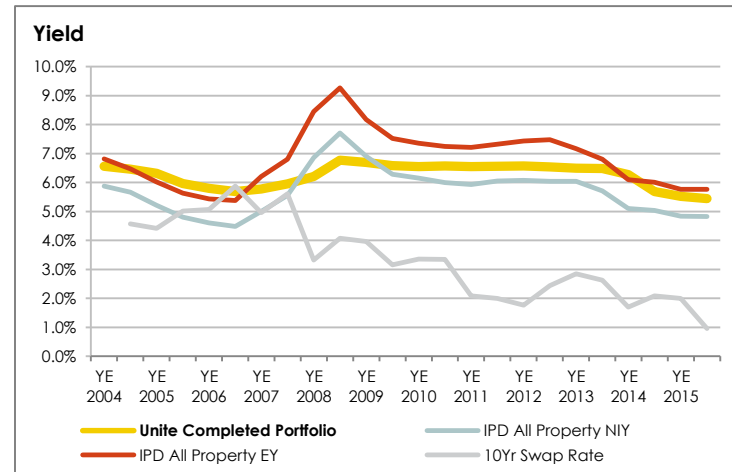
Defensive sector characteristics supporting yield

- Average Unite portfolio yield compressed 8bps to 5.5%
- Underpinned by rental growth prospects
- More stable profile historically
- No portfolio premium
- Spread to 10-year gilt c.450bps

Positive signs that sector continues to mature

- c.85% of stock now held by well capitalised long-term investors
- More consolidation likely
- Efficiency of management agreements will come into focus in medium term

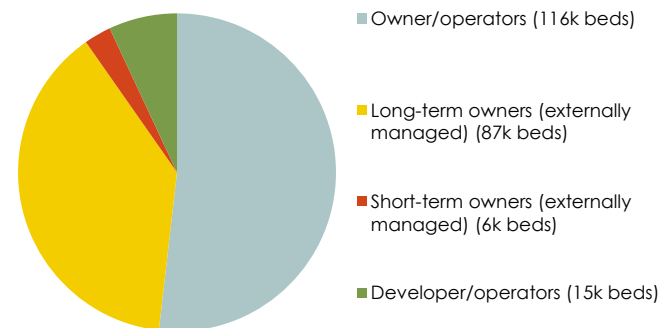
Yield and swap analysis



Source: IPD, Unite

Competitive environment

Total: 225k beds, c.£20 billion



Source: Unite estimates

DEVELOPMENT PROGRAMME PROGRESSING WELL

■ Highly accretive secured pipeline

- 2016 projects on track
- 2017 pipeline secured, on site under construction with planning consents in place

■ Good progress with 2018 and 2019 pipeline

- Further 2,100 beds secured over first half
- Yield on cost of c.8.5%

■ Highly visible source of future growth

- 68 pence to NAV per share
- 12 - 15 pence to EPRA EPS

■ Monitoring potential new opportunities

- London land price reductions
- Reduced rate of build cost inflation
- Slowing supply of PBSA

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Forecast yield on cost
Regional wholly owned					
Greetham Street, Portsmouth	2016	836	65	42	9.3%
Causewayend, Aberdeen	2016	399	39	24	9.8%
Far Gosford, Coventry	2016	286	26	18	9.4%
St Leonard's, Edinburgh	2017	581	60	41	9.5%
Tara House, Liverpool	2017	776	62	46	9.3%
Millennium Point, Coventry	2017	391	32	24	8.8%
Newgate Street, Newcastle	2018	569	48	36	8.5%
Old BRI, Bristol ¹	2018	604	84	62	8.4%
Brunel House, Bristol ¹	2018	228	26	19	8.5%
Chaucer House, Portsmouth ¹	2018	446	39	30	8.0%
Constitution Street, Aberdeen	2019	600	54	39	8.6%
Skelthorne Street, Liverpool ¹	2019	1,043	91	70	8.0%
International House, Birmingham ¹	2019	575	49	38	8.0%
Total regional wholly owned		7,334	675	488	8.7%
LSAV					
Stapleton House, London	2016	862	147	86	8.8%
Wembley Park, London	2016	699	87	49	9.2%
Total LSAV		1,561	234	135	9.0%
Unite share of LSAV					
		781	117	68	9.0%
Total pipeline (Unite share)		8,115	792	556	8.7%

¹ Subject to obtaining planning consent



INCREASING OUR BRAND VALUE

■ PRISM delivering planned benefits

- Enhanced service to students
 - 75% of maintenance jobs fixed within 24 hours
 - 30% of bookings online – increased mobile bookings
 - Wi-Fi speeds increased to 50Mbps
- Delivering efficiencies
 - Time for tenancies to be confirmed reduced to 5 days from 15 days
 - 25% improvement in conversion rate
 - Maintenance outsourcing reduced by £0.6 million

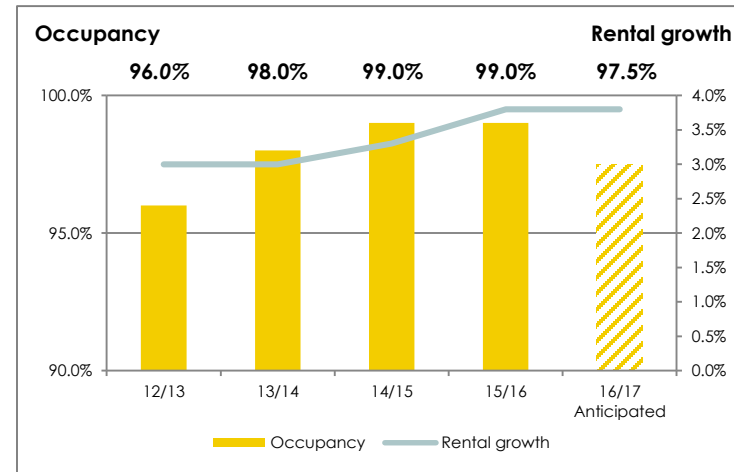
■ Deep relationships with strong Universities

- PRISM supporting service delivery to Universities
- 57% of rooms nominated for 2016/17
- Trend towards longer term agreements

■ Home for Success investment programme substantially concluded

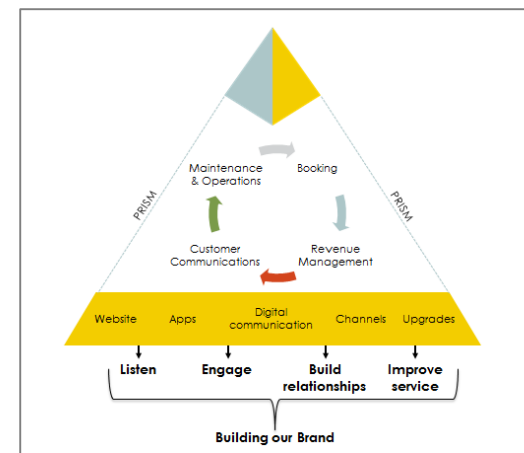
■ Independent Universities trust scores and customer satisfaction at highest ever level

Occupancy and rental growth



Source: Unite analysis

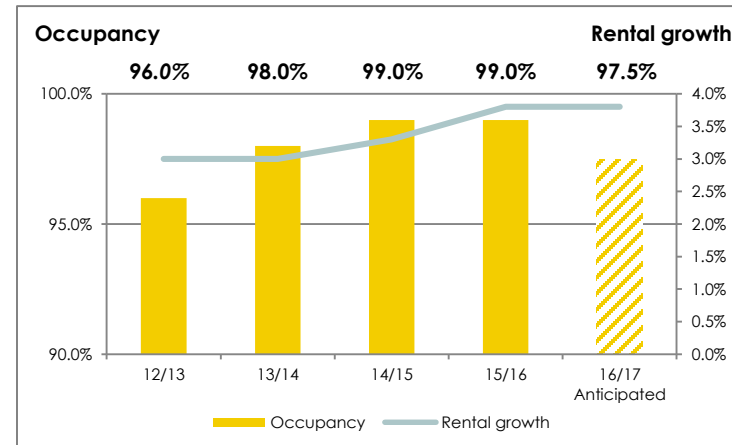
PRISM



CONTINUED MOMENTUM AND POSITIVE OUTLOOK

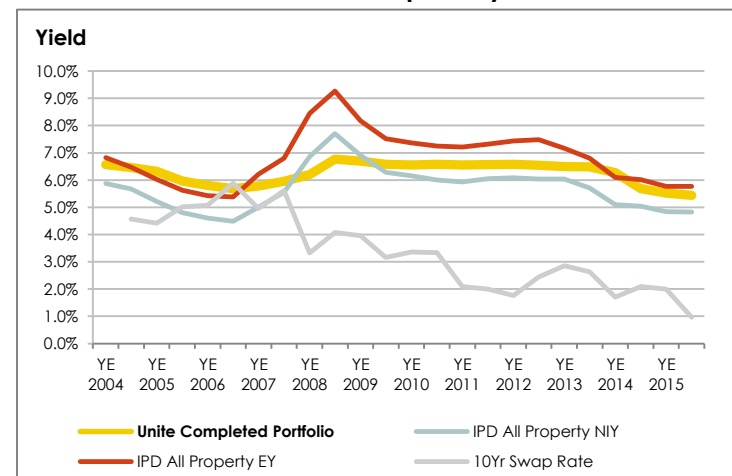
- **Strong performance on all fronts**
- **Continuing to deliver on consistent, focused strategy**
 - To be the most trusted brand in our sector
 - To maintain the highest quality portfolio
 - To have the strongest capital structure
- **Strong brand and scalable operating platform key areas of competitive advantage**
- **Well positioned for continued growth**
 - Record student numbers expected in 2016/17
 - Expect further growth over medium term – especially at stronger Universities
 - 89% reservations for 2016/17 underpins rental growth of 3.5 - 4.0%
 - Highly accretive development pipeline
- **Development pipeline and rental growth could add 14 to 19 pence to EPRA EPS by 2019**

Occupancy and rental growth



Source: Unite analysis

Yield and swap analysis



Source: IPD, Unite



■ Student numbers have more than doubled since 1991

- Driven by government policy, demographics, global mobility
- 180,000 more applicants than places in 2015/16

■ Government removed cap on UK / EU student numbers from 2015/16

- 92,000 increase in total student population in 2015
- Stronger Universities have grown most quickly
- Student numbers expected to grow by a further 90,000 - 100,000 over next few years

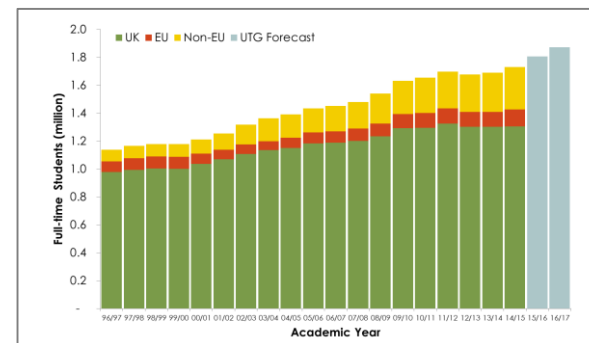
■ UK attractive to international students

- c.34% of Unite customers are international – 9% from EU
- Global trend for studying abroad
- UK market share increasing

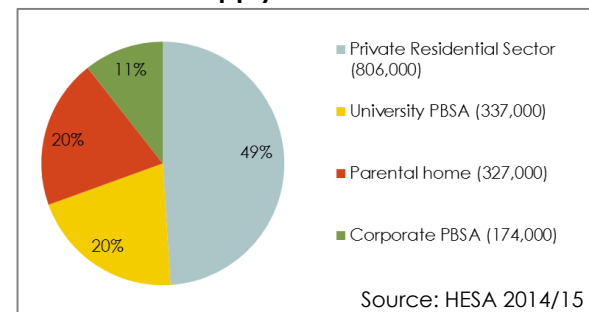
■ Supply / demand imbalance persists

- University stock levels flat
- Private rented sector facing tougher regulations

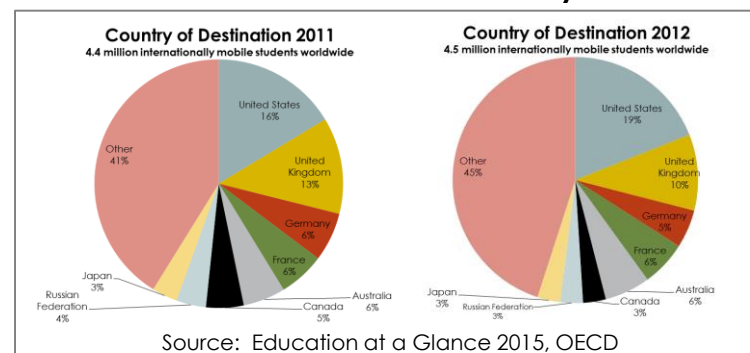
Full-time student numbers



Supply breakdown



International student mobility



■ All-inclusive pricing

- All utilities and services
- High-speed (50Mbps) Wi-Fi throughout our portfolio
- 24/7 customer and support centre
- Transparency and certainty
- Free communal kitchen and bathroom cleaning

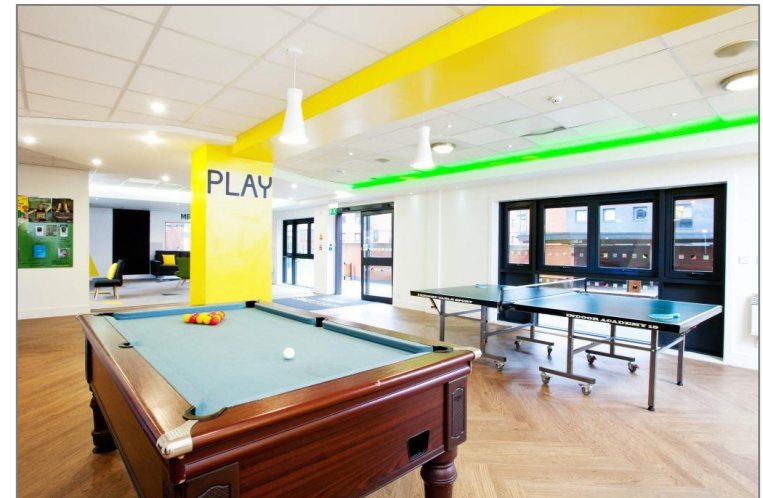
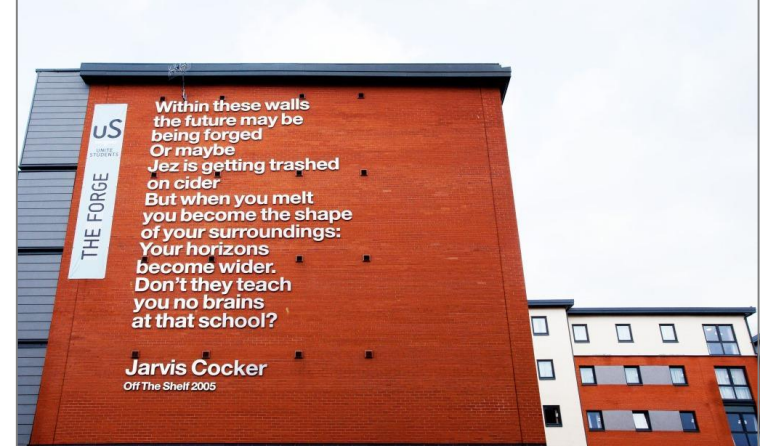
■ City-centre locations

- 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
- Multi-lingual telephone contact
- Unique online mobile optimised booking system
- China office fully operational

The Forge, Sheffield



OUR TOP 10 MARKETS

2016 rank	City	Completed beds (FY16)	FT student numbers (14/15)	Market Share
1	London	10,128	279,160	3.6%
2	Sheffield	3,731	48,815	7.6%
3	Bristol	3,479	40,275	8.6%
4	Leeds	3,458	50,700	6.8%
5	Liverpool	3,398	43,160	7.9%
6	Birmingham	2,688	58,980	4.6%
7	Glasgow	2,396	55,115	4.3%
8	Manchester	2,336	61,535	3.8%
9	Portsmouth	2,222	17,995	12.3%
10	Aberdeen	1,720	20,990	8.2%
		35,556	676,725	5.3%
Proportion of Unite portfolio		72%		



SEE-THROUGH BALANCE SHEET AND INCOME STATEMENT

	Wholly owned £m	USAF (Unite share) £m	LSAV (Unite share) £m	Unite see-through Jun 2016 £m	Unite see-through Dec 2015 £m
Balance sheet					
Rental Properties	1,062	490	379	1,931	1,835
Properties under development	222	4	106	332	230
Total property portfolio/GAV	1,284	494	485	2,263	2,065
Net debt	(515)	(141)	(171)	(827)	(731)
Convertible bond	84	-	-	84	83
Other assets/(liabilities)	(15)	(7)	(7)	(29)	(23)
EPRA net assets	838	346	307	1,491	1,394
LTV	40%	29%	35%	35%*	35%
Income statement				Six months ending Jun 2016	Six months ending Jun 2015
Net operating income	40.2	14.9	11.2	66.3	58.5
Overheads less management fees	(1.6)	(1.5)	(2.1)	(5.2)	(3.7)
Finance costs	(16.9)	(2.8)	(2.5)	(22.2)	(25.0)
Development/other	(2.8)	-	-	(2.8)	(0.2)
EPRA earnings	18.9	10.6	6.6	36.1	29.6

* LTV is prepared on a proforma basis, taking account of disposals made in July 2016



		30 June 2016					Unite
		USAF	LSAV	Wholly owned	Lease	Total	
London	Value (£m)	341	713	420		1,475	855
London	Beds	2,014	4,300	1,993	260	8,567	44%
Major provincial	Value (£m)	1,527	44	450		2,021	821
Major provincial	Beds	20,060	331	6,264	1,828	28,483	43%
Provincial	Value (£m)	273	-	192		465	255
Provincial	Beds	4,782	-	3,253	1,059	9,094	13%
Total	Value (£m)	2,141	758	1,062	-	3,961	1,931
Total	Beds	26,856	4,631	11,510	3,147	46,144	100%
Unite ownership share		23%	50%	100%			
	Value (£m)	490	379	1,062	-	1,931	



	Jun 2016 £m	Jun 2015 £m	Dec 2015 £m
IFRS net assets	1,344	1,144	1,275
Mark to market on fixed rate debt	(10)	(29)	(28)
Convertible bond	84	-	83
EPRA NNNAV	1,418	1,115	1,330
EPRA NNNAV per share	589pps	499pps	552pps

DEBT FACILITIES

On-balance sheet

	Facility £m	Drawn £m	Maturity
HSBC/RBS	180	105	2020
Legal + General	117	117	2022
Mass Mutual	124	124	2024
Others	8	8	2018-22
<u>Unsecured</u>			
Convertible bond ¹	84	84	2018
Retail Bond	90	90	2020
Working capital	22	22	2018
Total	625	550	

Co-investment vehicles

	Facility £m	Drawn £m	Maturity
<u>USAF</u>			
Secured bond	690	690	2023/25
<u>LSAV/UCC</u>			
UOB	25	25	2017
HSBC	135	102	2018
RBS	38	38	2019
Wells Fargo	55	55	2022
L&G	149	149	2022
	402	369	

¹ £90m bonds issued, £84m recognised as debt



SECURED DEVELOPMENT PIPELINE

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Capex in 2016 (£m)	Capex remaining (£m)	Forecast NAV remaining (£m)	Forecast yield on cost
Regional wholly owned								
Greetham Street, Portsmouth	2016	836	65	42	8	2	13	9.3%
Causewayend, Aberdeen	2016	399	39	24	9	0	5	9.8%
Far Gosford, Coventry	2016	286	26	18	7	2	3	9.4%
St Leonard's, Edinburgh	2017	581	60	41	4	24	12	9.5%
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Newgate Street, Newcastle	2018	569	48	36	1	35	11	8.5%
Old BRI, Bristol ¹	2018	604	84	62	1	47	22	8.4%
Brunel House, Bristol ¹	2018	228	26	19	1	9	8	8.5%
Chaucer House, Portsmouth ¹	2018	446	39	30	1	30	9	8.0%
Constitution Street, Aberdeen	2019	600	54	39	-	32	9	8.6%
Skelthorpe Street, Liverpool ¹	2019	1,043	91	70	13	57	21	8.0%
International House, Birmingham ¹	2019	575	49	38	-	37	11	8.0%
Total regional wholly owned		7,334	675	488	59	321	146	8.7%
LSAV								
Stapleton House, London	2016	862	147	86	20	6	22	8.8%
Wembley Park, London	2016	699	87	49	13	1	19	9.2%
Total LSAV		1,561	234	135	33	7	41	9.0%
Unite share of LSAV		781	117	68	17	3	20	9.0%
Total pipeline (Unite share)		8,115	792	556	76	324	166	8.7%

¹ Subject to obtaining planning consent