



# Maintaining Momentum

## Preliminary Results

Year ended 31 December 2015



## ■ Strong financial performance

- Adjusted EPRA earnings (excluding yield element of USAF fee) up 49%, EPRA EPS up 34%
- 37% total return (NAV growth plus dividends)
- Full year dividend increased to 15.0 pence

## ■ Excellent progress with portfolio strategy

- Yield compression 70bps to 5.55%
- Regional development pipeline deepened
- Operational portfolio grown to 46,000 beds

## ■ Market dynamics remain favourable

- Like-for-like rental growth of 3.8%
- Strong student number outlook underpinned by cap removal and international demand
- 67% reservations for 2016/17; positive rental growth outlook

## ■ Highly visible earnings growth prospects

- Pipeline and rental growth could add 16 to 21 pence pa to EPRA EPS by 2019
- High quality, scalable platform and financing costs locked in

## ■ Preparing for REIT conversion in early 2017

	2015	2014
EPRA earnings	<b>£61.3m</b>	£33.3m
Adjusted EPRA earnings	<b>£49.5m</b>	£33.3m
Adjusted EPRA EPS	<b>23.1p</b>	17.2p
EPRA NAVps	<b>579p</b>	434p
Dividend per share (full year)	<b>15.0p</b>	11.2p
Total return on NAV	<b>37%</b>	15%
See-through LTV ratio	<b>35%</b>	43%
Operations cash flow	<b>£40.8m</b>	£35.0m
Reservations*	<b>67%</b>	65%

\* Reservations as at 22 February







STRATEGY AND MARKET



# DEMAND / SUPPLY IMBALANCE WIDENING

## ■ Student numbers continue to grow

- 20,000 increase (+3.9%) in first years to 532,000
- c.92,000 increase in total student population
- 180,000+ unplaced applicants
- High tariff (+7.0%) and medium tariff (+5.7%) Universities growing faster than low tariff (+0.7%)
- We estimate growth of c.60,000 students pa for next few years, focused on stronger Universities

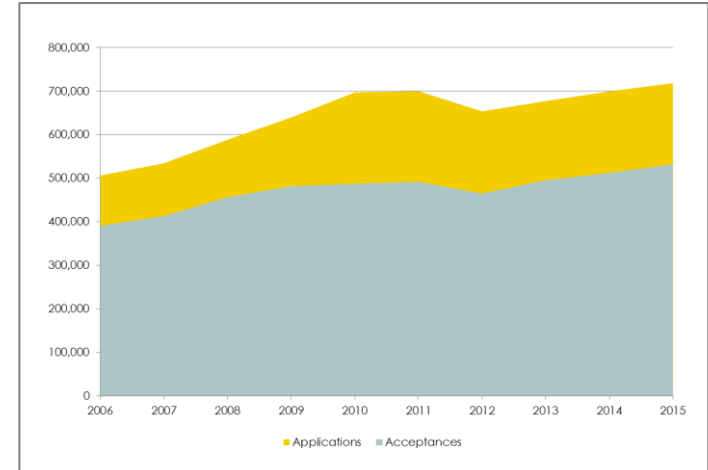
## ■ Practical constraints to accelerating supply

- Planning, London land prices and city centre site availability
- Growth beginning to accelerate in non-Unite cities
- We estimate c.30,000 new beds pa for next few years

## ■ Positive outlook for rental growth, particularly in stronger University cities

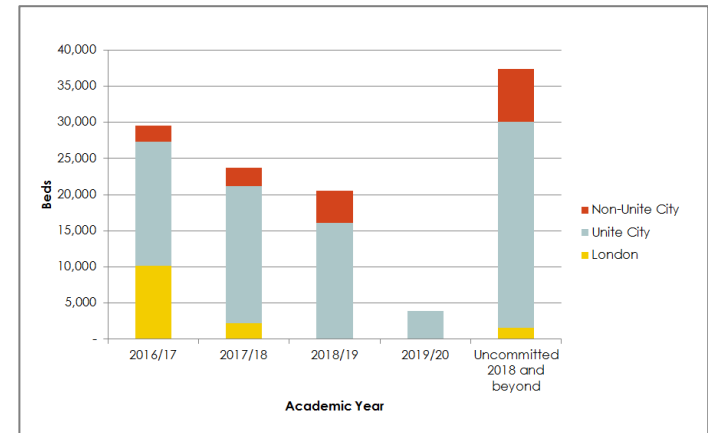
- 2016 growth expected to be at least as strong as 2015

Applications and acceptances



Source: UCAS

Supply outlook – net new beds



Source: Unite estimates



# INVESTOR DEMAND REMAINS STRONG

## ▪ Record transaction volumes in 2015

- £5.5 billion traded (2014: £2.2 billion)
- Activity continuing in 1Q16
- Majority of buyers are long-term investors
- No sign of irrational leverage

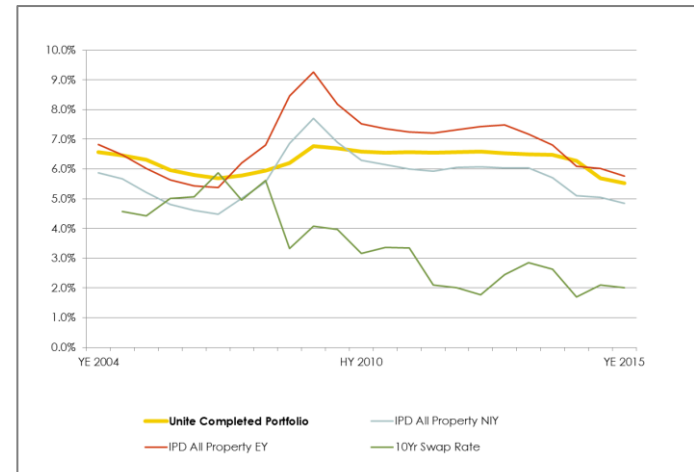
## ▪ Average Unite portfolio yield compressed 70bps to 5.55%

- No portfolio premium (could be 5 - 10%)
- Firmly underpinned by rental growth prospects

## ▪ Competitive environment continues to evolve

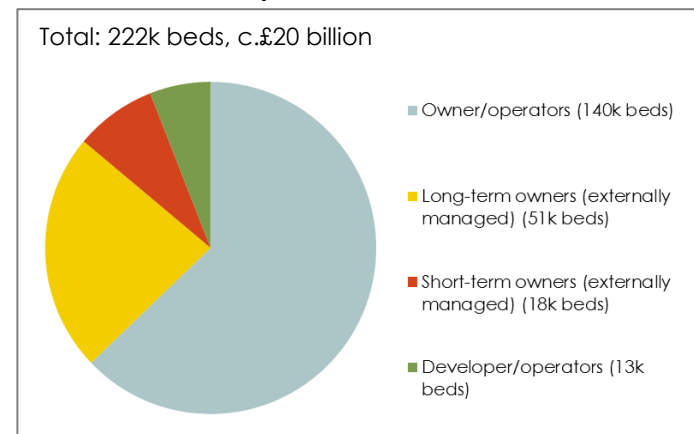
- c.85% of stock now held by well capitalised long-term investors
- c.£3 billion stock held by shorter term investors and developers
- More consolidation likely
- Efficiency of management agreements will come into focus in medium term

Yield and swap analysis



Source: IPD, Unite

Competitive environment



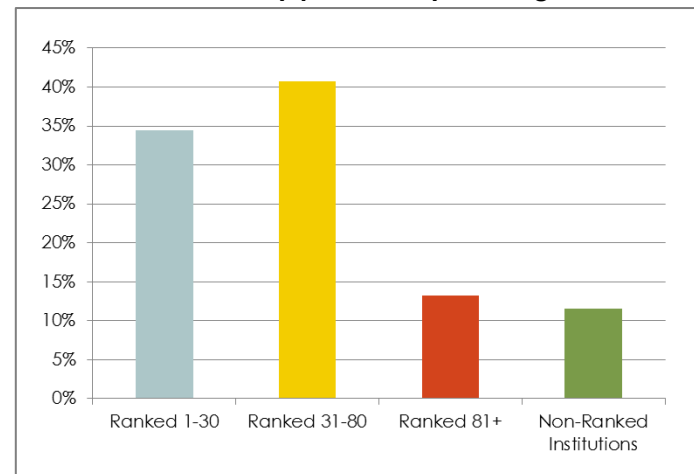
Source: Unite estimates



# CONSISTENT STRATEGY LEAVES US WELL POSITIONED

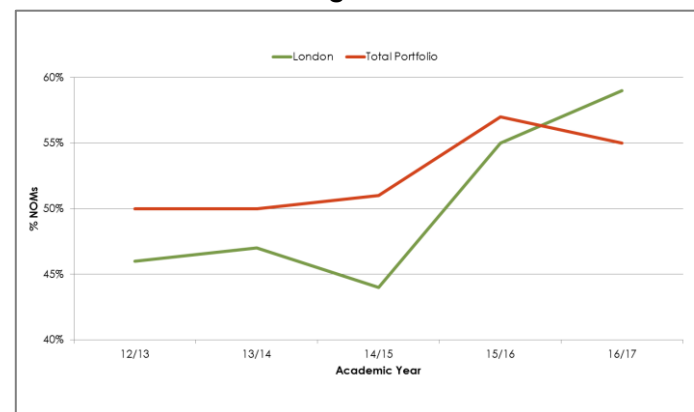
- **Portfolio and pipeline focused on Universities with strongest growth prospects**
  - Over 85% aligned to stronger institutions
- **Strong University partnerships crucial**
  - 57% nominated rooms for 2015/16
  - Nominations discount average c.5%. Opportunity to close as brand becomes increasingly established
- **Scalable operating platform, accretive development pipeline and strong, flexible balance sheet underpin longer term growth prospects**
  - Positive rental growth outlook confirmed by high reservations levels 67%
  - Pipeline plus rental growth could add 16 to 21 pence to EPRA EPS by 2019
  - 2019 developments to be funded internally

University partners by ranking



Source: Unite analysis

Increasing nominations





FINANCIAL REVIEW



	2015	2014	Year-on-year movement
<b>Income</b>			
EPRA earnings	<b>£61.3m</b>	£33.3m	↑ 84%
Adjusted EPRA earnings	<b>£49.5m</b>	£33.3m	↑ 49%
EPRA EPS	<b>28.6p</b>	17.2p	↑ 66%
Adjusted EPRA EPS	<b>23.1p</b>	17.2p	↑ 34%
Adjusted EPS yield on opening NAV	<b>5.3%</b>	4.5%	↑ 18%
Dividend per share (full year)	<b>15.0p</b>	11.2p	↑ 34%
<b>Balance Sheet</b>			
EPRA NAVps	<b>579p</b>	434p	↑ 33%
Total return (NAV growth plus dividend paid)	<b>36.7%</b>	15.0%	↑ 146%
See-through LTV	<b>35%</b>	43%	↓ 19%
<b>Cash Flow</b>			
Operations cash flow	<b>£40.8m</b>	£35.0m	↑ 17%





# EARNINGS GROWTH MOMENTUM MAINTAINED

## ▪ Continuing improved performance

- High occupancy, rental growth and portfolio growth
- Adjusted EPRA earnings up to £49.5 million

## ▪ Scale benefits continue to accrue

- Overhead efficiency measure of 48bps achieved – on track for target of 25 - 30bps by 2017
- Delivery of final phase of Prism will support NOI margin of 75% over time
- Some additional overheads expected in 2016 for Prism depreciation
- £100 – 125 million of disposal anticipated in 2016

## ▪ Substantial performance fee

- £20.2 million net fee – £11.8 million related to yield
- Ongoing fee of c.£5 million expected from operational performance

	2015 £m	2014 £m
<b>Total income</b>	<b>277.9</b>	<b>254.6</b>
Unite's share of rental income	144.3	130.0
Unite's share of property operating expenses	(39.8)	(35.7)
<b>Net operating income (NOI)</b>	<b>104.5</b>	<b>94.3</b>
<i>NOI margin</i>	<i>72.5%</i>	<i>72.5%</i>
Management fees	12.0	10.0
Operating expenses	(21.9)	(19.9)
Finance costs <sup>1</sup>	(48.1)	(45.6)
<b>Operations segment result (NPC)</b>	<b>46.5</b>	<b>38.8</b>
Net performance/acquisition fee	22.0	1.2
Property and other costs	(7.2)	(6.7)
<b>EPRA earnings</b>	<b>61.3</b>	<b>33.3</b>
Yield related performance fee	(11.8)	-
<b>Adjusted EPRA earnings</b>	<b>49.5</b>	<b>33.3</b>
EPRA EPS	28.6p	17.2p
<b>Adjusted EPRA EPS</b>	<b>23.1p</b>	<b>17.2p</b>
Adjusted EPRA EPS yield on NAV	5.3%	4.5%

<sup>1</sup> Finance costs include net interest of £33.6m and lease payments of £14.5m on sale and leaseback properties



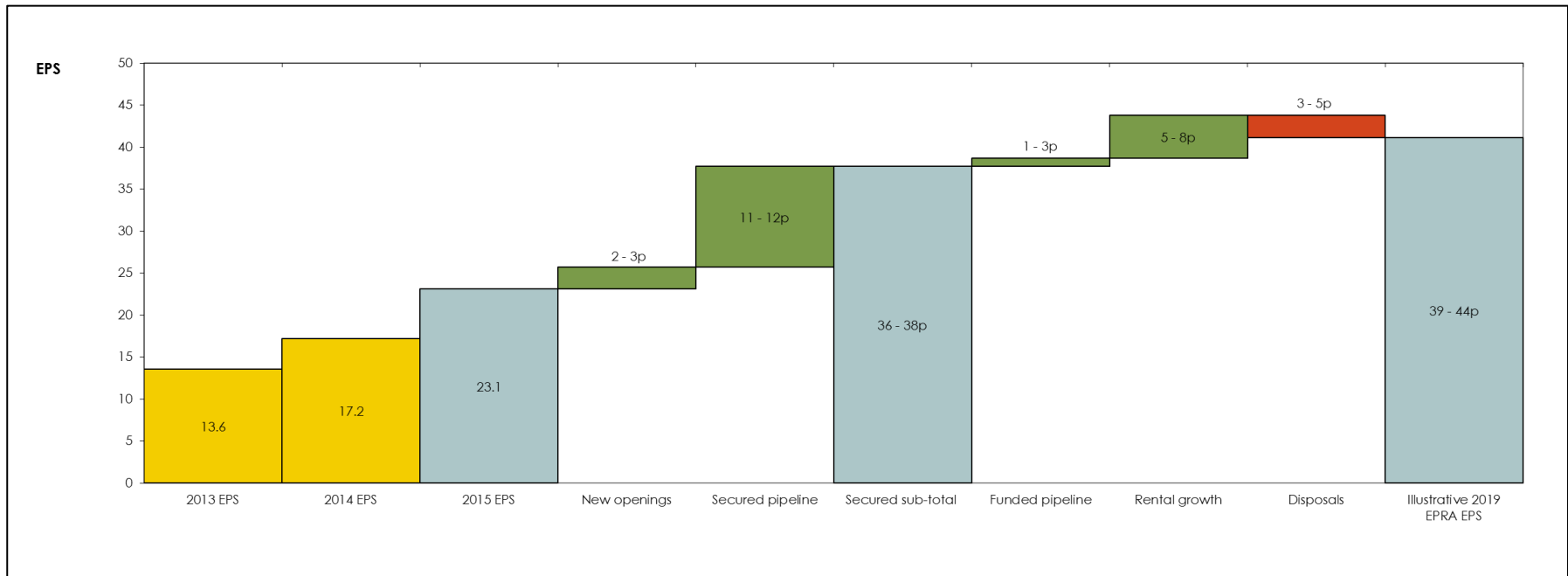
# HIGHLY VISIBLE EARNINGS GROWTH PROGRESSION

## ▪ Earnings growth prospects supported by:

- High quality development programme
- Positive rental growth outlook
- Brand and operating platform

## ▪ Earnings growth will drive further dividend growth

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



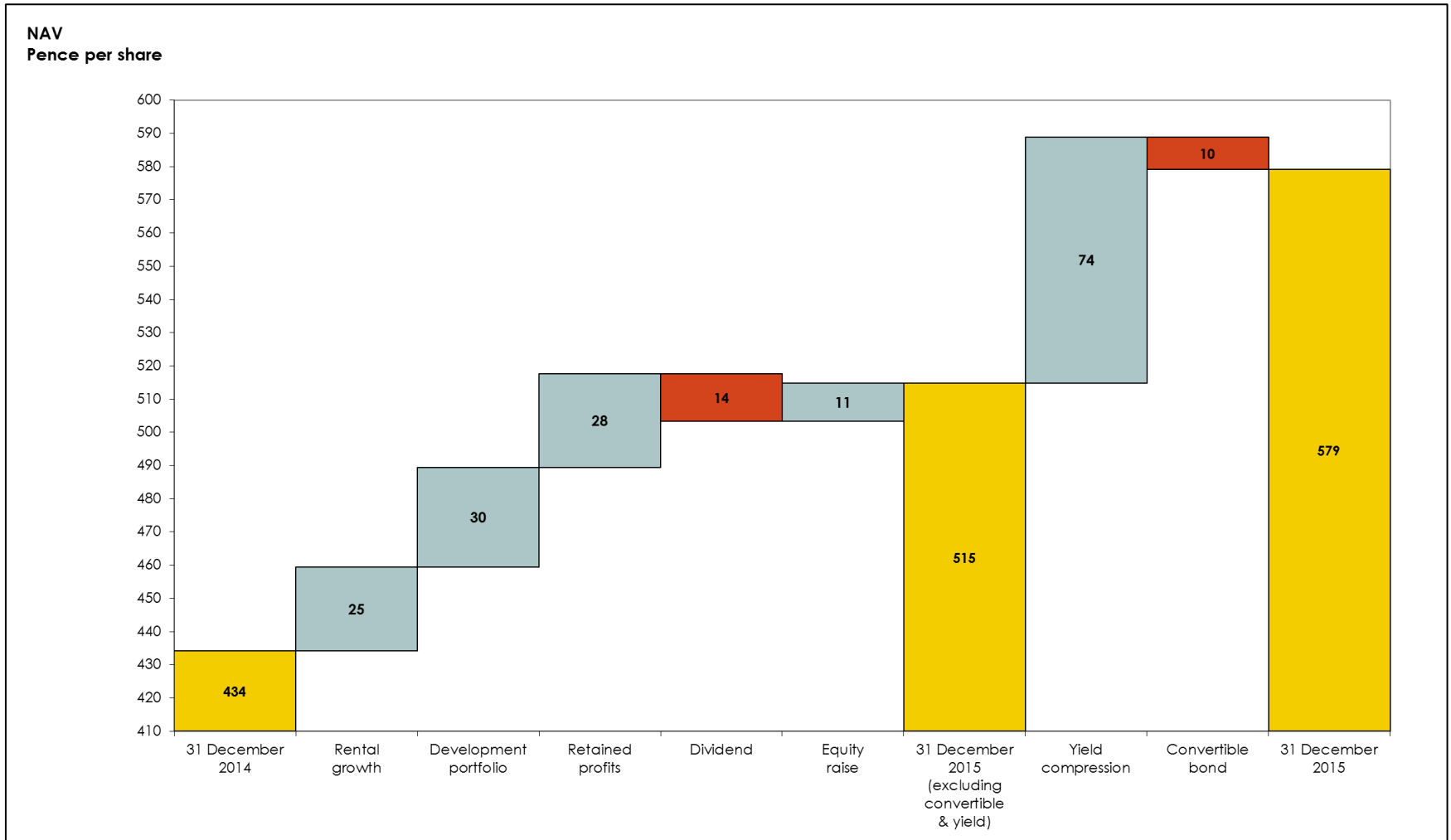
### Assumptions:

- 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)



# BALANCED RETURNS ENHANCED BY YIELD COMPRESSION





# SEE-THROUGH BALANCE SHEET AND INCOME STATEMENT

	Wholly owned £m	USAF/JVs (Unite share) £m	Unite see-through 2015 £m	Unite see-through 2014 £m
<b>Balance sheet</b>				
Rental properties	1,024	811	1,835	1,510
Properties under development	150	80	230	114
Total property portfolio/GAV	1,174	891	2,065	1,624
Net debt	(448)	(283)	(731)	(697)
Convertible bond	83	-	83	
Other assets/(liabilities)	(5)	(18)	(23)	(46)
EPRA net assets	804	590	1,394	881
LTV	38%	32%	35%	43%
<b>Income statement</b>			<b>2015</b>	<b>2014</b>
Net operating income	64.8	39.7	104.5	94.3
Overheads less management fees	(3.8)	(6.1)	(9.9)	(9.9)
Finance costs	(38.1)	(10.0)	(48.1)	(45.6)
Net performance fees (excluding yield related fee)	10.2	-	10.2	-
Development/other	(7.2)	-	(7.2)	(5.5)
Adjusted EPRA earnings	25.9	23.6	49.5	33.3





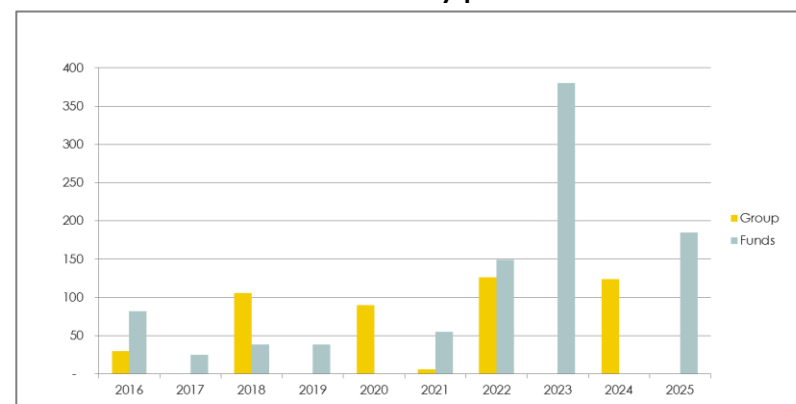
# STRONG CAPITAL STRUCTURE

- **Strong debt position**
  - Diversified sources and balanced maturity profile
- **Opportunity to reduce average cost of debt**
  - Forward starting swaps on 2016 and 2017 pipeline should see 10 - 20bps saving
- **Reduction in LTV to 35% and net debt:EBITDA to 6.9x**
  - ICR of 2.2x
  - Target to remain around these levels going forward
- **Share placing completed in March**
  - 20.1 million shares at 570 pence (31% premium to December 2014 NAV)
- **Net debt growth in 2016 at similar level to 2015**
  - £100 – 125 million planned disposals to substantially offset capex
  - Disposals provide flexibility to fund 2019 pipeline internally

Key debt statistics (see-through)

	2015	2014
Net debt	£731m	£697m
LTV	35%	43%
Net debt:EBITDA	6.9	8.5
Cost of debt	4.5%	4.7%
Average debt maturity (years)	5.6	6.5
Proportion non-bank debt	63%	71%
Proportion investment debt fixed	90%	97%
Proportion unsecured	27%	25%

Debt maturity profile





# CO-INVESTMENT VEHICLES PERFORMING WELL

## ▪ Strong performance across USAF and LSAV

- LSAV out-performance driven by development profits and stronger capital growth in London

## ▪ USAF has £125 million capacity for acquisitions

- AUB portfolio acquired in 2015, Cordea Savills in 2014
- Reviewing third-party and forward fund opportunities

## ▪ Fees of £35.9 million in 2015

- £20.2 million USAF net performance fee
- Fee paid in units – increases stake to 23%
- Ongoing performance fee expected at c.£5 million pa based on rental growth and occupancy – assumes no yield movement

## Summary financials

	USAF £m	LSAV £m
GAV	2,074	894
Net debt	(602)	(308)
Other assets/liabilities	(64)	(17)
<b>NAV</b>	<b>1,408</b>	<b>569</b>
Total return	23%	40%
Unite share of NAV	305	285
LTV	29%	34%
Unite stake	23% <sup>1</sup>	50%
Maturity	Infinite	2022
<b>Unite fees in period</b>		
Asset/property management	8.7	3.3
Acquisition fee	1.8	-
Net performance fee		
- Operational	8.4	-
- Yield related	11.8	-
Development management	-	1.9
	30.7	5.2

<sup>1</sup> After receipt of USAF performance fee



- **Reflects earnings and leverage strategy**
- **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**

Saw Mill, Huddersfield







## OPERATIONAL REVIEW

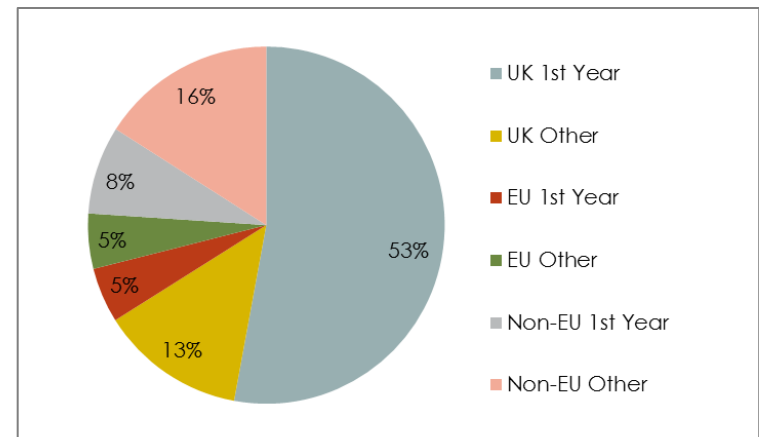


# UNITE STUDENTS BRAND INCREASINGLY VALUABLE

- **Deep relationships with strong Universities**
  - 57% of rooms nominated for 2015/16
  - Trend towards longer term agreements
  - Opportunity to close discount on longer standing agreements
- **Customer base focused on UK first years and international students**
  - Over 85% either UK first year or international
  - Segments best suited to purpose built accommodation
- **Home for Success investment programme substantially concluded**
  - Targeted at UK first years and international students
- **Universities trust scores and customer satisfaction at highest ever level**
- **Highly scalable operating platform in place with further enhancements planned**
  - Reinvestment in service levels key to our philosophy
  - Final phase of Prism on track for 2016
  - Shift to fully staffed 7 day operating model
  - Further digital investment planned



Unite customer profile



Source: Unite analysis



# DEVELOPMENT PROGRAMME PROGRESSING WELL

- **Highly accretive secured pipeline**
  - 2016 projects on track
  - 2017 pipeline secured, planning in place or well progressed
- **Good progress with 2018 pipeline**
  - Further 1,000 beds to be secured over next six months
  - Yield on cost of c.8.5%
- **Likely to target at least 2,000 beds for 2019**
  - To be funded internally
  - Likely yield on cost of c.8.0%
- **Highly visible source of future growth**
  - 45 pence to NAV per share
  - 12 pence to EPRA EPS
  - Funded pipeline could add further 8 pence to NAV and 2 pence to EPS

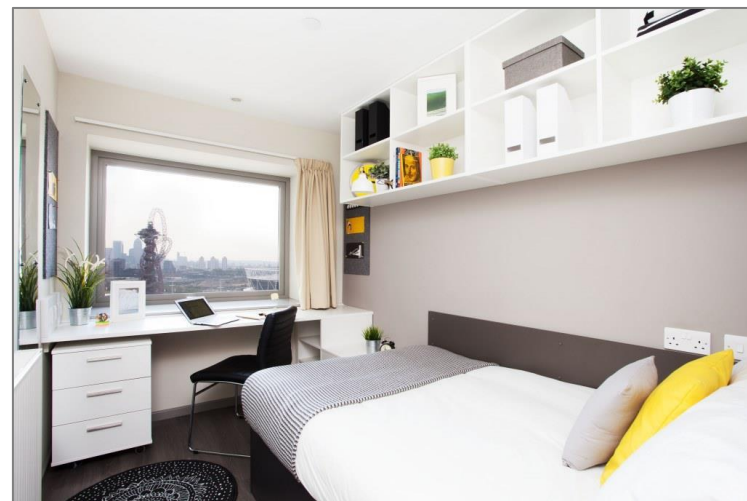
	Target delivery	Secured beds	Total completed value (£m)	Total Development costs (£m)	Forecast yield on cost
<b>Regional wholly owned</b>					
Greetham Street, Portsmouth	2016	836	60	42	9.3%
Causewayend, Aberdeen	2016	399	38	24	9.8%
Far Gosford Street, Coventry	2016	286	25	18	9.4%
St Leonards, Edinburgh	2017	581	58	41	9.5%
Tara House, Liverpool	2017	776	61	46	9.3%
Constitution Street, Aberdeen	2017	600	58	43	9.3%
Millennium Point, Coventry <sup>1</sup>	2017	371	31	23	8.8%
Newgate Street, Newcastle	2018	569	48	36	8.5%
Old BRI, Bristol <sup>1</sup>	2018	604	84	62	8.4%
Brunel House, Bristol <sup>1</sup>	2018	228	26	19	8.5%
<b>Total regional wholly owned</b>		<b>5,250</b>	<b>489</b>	<b>354</b>	<b>9.0%</b>
<b>LSAV</b>					
Stapleton House, London	2016	862	144	86	8.8%
Olympic Way, London	2016	699	79	49	9.0%
<b>Total LSAV</b>		<b>1,561</b>	<b>223</b>	<b>135</b>	<b>8.9%</b>
<b>Unite share of LSAV</b>					
		n/a	112	67	8.9%
<b>Total pipeline (Unite share)</b>		<b>6,031</b>	<b>601</b>	<b>421</b>	<b>9.0%</b>

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



# SUMMARY AND 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**
  - Focus on strongest University locations
  - Government policy supportive of student number growth, particularly for stronger Universities
  - 67% reservations for 2016/17 underpins positive rental growth prospects
  - Highly accretive development pipeline
- **Development pipeline and rental growth could add 16 to 21 pence to EPRA EPS by 2019**



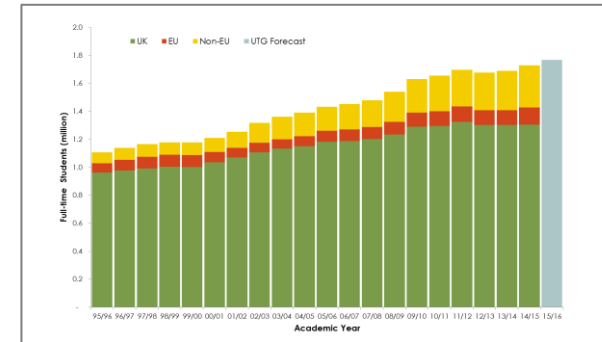




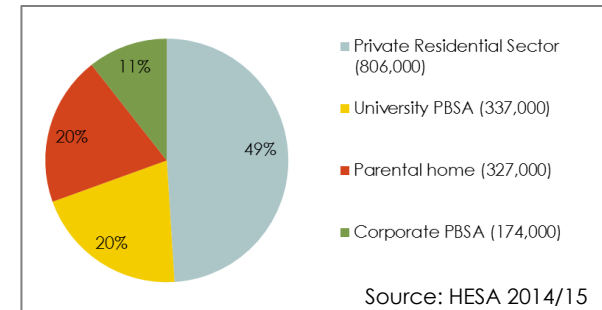


- **Student numbers have doubled since 1991**
  - Driven by government policy, demographics, global mobility
  - 180,000 more applicants than places in 2015/16
- **Government removed cap on UK / EU student numbers from 2015/16**
  - 92,000 increase in total student population
  - Stronger Universities have grown most quickly
  - Student numbers expected to grow by c.60,000 pa over next few years
- **UK attractive to international students**
  - c.34% of Unite customers are international
  - Global trend for studying abroad
  - UK market share increasing
- **Supply / demand imbalance persists**
  - University stock levels flat
  - Private rented sector facing tougher regulations

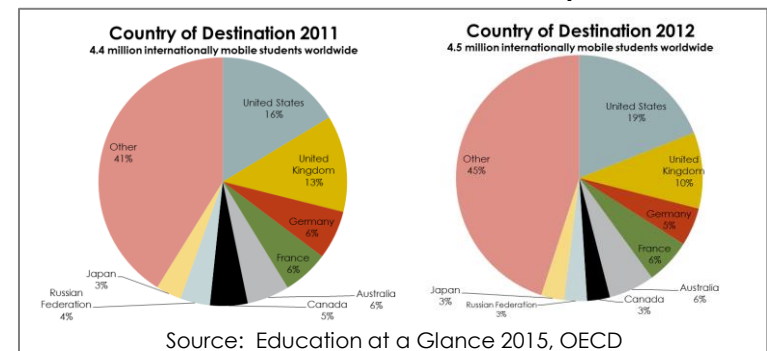
Full-time student numbers



Supply breakdown



International student mobility





# PRODUCT AND SERVICE OFFERING

- **All-inclusive pricing**
  - All utilities and services
  - High-speed (25Mb) Wi-Fi throughout our portfolio
  - 24/7 customer service
  - 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 booking system
  - China office fully operational





# OUR TOP 10 MARKETS

2015 rank	City	Completed beds (15/16)	FT student numbers (14/15)	Market Share
1	London	8,567	279,160	3.1%
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	Leicester	1,687	30,610	5.5%
10	Portsmouth	1,402	17,995	7.8%
Proportion of Unite portfolio		33,142	686,345	4.8%
		74%		





	2015 £m	2014 £m
IFRS net assets	<b>1,275</b>	843
Valuation gains not recognised on properties held at cost	-	31
Mark to market on fixed rate debt	<b>(28)</b>	(3)
Convertible bond	<b>83</b>	-
EPRA NNNAV	<b>1,330</b>	871
EPRA NNNAV per share	<b>552pps</b>	429pps





## On-balance sheet

	Facility £m	Drawn £m	Maturity
HSBC	30	30	2016
HSBC/RBS	180	6	2020
Legal + General	117	117	2022
Mass Mutual	124	124	2024
Others	8	8	2018-22
<u>Unsecured</u>			
Convertible bond <sup>1</sup>	84	84	2018
Retail Bond	90	90	2020
Working capital	22	22	2018
Total	656	482	

## Co-investment vehicles

	Facility £m	Drawn £m	Maturity
<u>USAF</u>			
Secured bond	565	565	2023/25
Lloyds RCF 1	92	82	2016
Lloyds RCF 2	25	-	2018
	682	647	
<u>LSAV/UCC</u>			
UOB	25	25	2017
HSBC	135	73	2018
RBS	38	38	2019
Wells Fargo	55	55	2022
L&G	149	149	2022
	402	340	

<sup>1</sup> £90m bonds issued, £84m recognised as debt





# SECURED DEVELOPMENT PIPELINE

	Target delivery	Secured beds	Total completed value (£m)	Total Development costs (£m)	Capex in 2015 (£m)	Capex remaining (£m)	Forecast NAV remaining (£m)	Forecast yield on cost
<b>Regional wholly owned</b>								
Greetham Street, Portsmouth	2016	836	60	42	26	11	8	9.3%
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Olympic Way, London	2016	699	79	49	22	14	12	9.0%
<b>Total LSAV</b>		<b>1,561</b>	<b>223</b>	<b>135</b>	<b>45</b>	<b>40</b>	<b>31</b>	<b>8.9%</b>
<b>Unite share of LSAV</b>		<b>n/a</b>	<b>112</b>	<b>67</b>	<b>23</b>	<b>20</b>	<b>15</b>	<b>8.9%</b>
<b>Total pipeline (Unite share)</b>		<b>6,031</b>	<b>601</b>	<b>421</b>	<b>110</b>	<b>265</b>	<b>110</b>	<b>9.0%</b>

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