CHIEF EXECUTIVE'S REVIEW

EARNINGS AHEAD OF PRE-PANDEMIC LEVELS

Supported by our best-in-class operating platform, people and portfolio

"Despite the challenging economic environment, the business remains well-positioned thanks to increasing student numbers and growing demand for high-quality, purpose-built student accommodation across our markets."

Richard Smith
Chief Executive Officer

Financial highlights[1]	2022	2021
Adjusted earnings	**£163.4m**	£110.1m
Adjusted EPS	**40.9p**	27.6p
IFRS profit before tax	**£358.0m**	£343.1m
IFRS basic EPS	**88.9p**	85.9p
Dividend per share	**32.7p**	22.1p
Adjusted EPS yield	**4.6%**	3.4%
Total accounting return	**8.1%**	10.2%
EPRA NTA per share	**927p**	882p
IFRS net assets per share	**945p**	880p
Loan to value	**31%**	29%

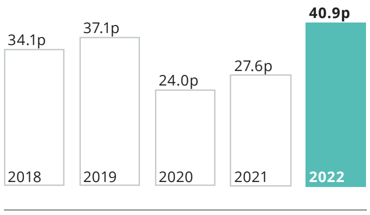
1. See glossary for definitions and note 7 for alternative performance measure calculations and reconciliations. A reconciliation of profit before tax to EPRA earnings and adjusted earnings is set out in note 7 of the financial statements.

The business has performed strongly in 2022, delivering an increase in earnings and dividends to above their pre-pandemic peak. This reflects the strength of our best-in-class operating platform, the commitment of our teams and the appeal of our affordable, well-located portfolio.

Earnings and dividend ahead of their pre-pandemic peak

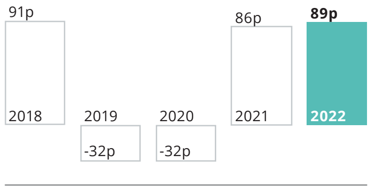
The business delivered a strong recovery in financial performance in 2022, with adjusted earnings of £163.4 million and adjusted EPS of 40.9p, both up 48% year-on-year. This reflects an increase in occupancy to 99% and rental growth of 3.5% for the 2022/23 academic year (2020/21: 94% and 2.3%, respectively). IFRS profit before tax of £358.0 million and EPS of 88.9p also reflects the valuation growth of our property portfolio during the year. We have proposed a final dividend of 21.7p which, if approved, makes 32.7p for the full year, representing a payout ratio of 80% of adjusted EPS, underlining our confidence in future business performance.

Total accounting returns for the year were 8.1%, underpinned by a 5% increase in EPRA NTA per share to 927p. Our LTV ratio increased to 31% during the year, reflecting the positive impact of rental growth in our property valuations and the increase in net debt to fund our investment activity. This provides the financial headroom to deliver our committed development pipeline and pursue new growth opportunities.



Adjusted earnings per share[1, 2] (p)

40.9p



IFRS basic earnings per share (p)

89p

Positive outlook for 2023/24

We see strong demand for student accommodation, which is reflected in our excellent progress with reservations for the 2023/24 academic year. Across the Group's entire property portfolio, 83% of rooms are now sold for the 2023/24 academic year, significantly ahead of the prior year as well as pre-pandemic levels (2022/23: 67%).

In our strongest markets, we have seen an increasing number of students looking to secure accommodation earlier in the sales cycle than previous years. This early customer interest reflects the appeal of our all-inclusive, fixed-price offer and lower availability in the houses in multiple occupation (HMO) sector as some landlords choose to leave the market in response to rising costs and increasing regulation. We have also seen increased demand from universities, following more cautious behaviour during the pandemic, who see quality accommodation as a key part of their proposition to prospective students.

As a result of this strong demand and the need to offset cost pressures in our business, we now expect to deliver rental growth of 6–7% for 2023/24 (previously at least 5%).

Value-for-money

We recognise the cost-of-living pressures faced by students and parents and are confident that our fixed price, all-inclusive offer will continue to provide value-for-money compared to alternative options in the purpose-built student accommodation (PBSA) and HMO sectors. Our pricing is comparable in cost to HMOs once bills are included. This is before allowing for the price certainty on utilities and additional product and service features that we provide, such as on-hand maintenance teams and 24/7 security, in locations close to campus.

Given increases in energy prices, we estimate that students living in HMO will pay over £900 per year for their utilities, Wi-Fi and contents insurance. Thanks to our scale and forward purchasing of utilities, these same services will cost the Company less than £600 for the 2022/23 academic year. These savings equate to around two weeks' rent, which we pass on to students through a single price, fixed at the time of booking, giving our customers certainty over their living costs.

We also recently launched our 'Financial Support to Stay' pilot in partnership with Aldi supermarket, which will see food vouchers distributed to students most in need of financial support, as decided by their university. This pilot scheme will collaborate with universities, including Liverpool John Moores University, Middlesex University, Birmingham City University and the University of Westminster.

Inflation protection

Like many businesses, inflation is creating cost pressures in parts of our operations and development supply chains. Yet, the business is well protected from these impacts through the inflation-hedging characteristics of our income and risk management through cost hedging.

Our rooms are either resold each year on a direct-let basis or repriced based on RPI, CPI or fixed rental inflators under our multi-year nomination agreements. The combination of these open market and contractual rental increases supports rental growth of 6–7% across our total portfolio for the 2023/24 academic year.

Our utility costs are fully hedged through 2023 and 65% for 2024, but costs are increasing as the benefit of cheaper hedges pre-dating the war in Ukraine expire. We are also seeing increased pressure on staffing costs for our frontline teams, driven by competition for staff in similar service sectors, as well as our commitment to being a Real Living Wage employer. We have honoured the 10% increase in the Real Living Wage for 2023 and provided an additional £500 in financial support to our frontline property teams during 2022 in recognition of the cost-of-living challenges facing our staff. These cost pressures have been partially mitigated by the restructuring of the Group's operational business during the first half of the year, which delivered an annualised £2 million saving in staff costs.

Despite these cost increases, we have delivered an improvement in our EBIT margin to 67.9% in 2022 (2021: 62.3%) thanks to our strong income performance. We are targeting further margin growth to 70% in 2023, driven by the increase in occupancy secured for the 2022/23 academic year and a positive outlook for rental growth for 2023/24.

1. The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). These financial highlights are based on the European Public Real Estate Association (EPRA) best practice recommendations and these performance measures are published as they are intended to help users in the comparability of these results across other listed real estate companies in Europe. The metrics are also used internally to measure and manage the business and to align to the performance related conditions for Directors' remuneration. See note 8 for calculations and reconciliations.
2. Adjustment made to EPRA EPS to remove the impact of the LSAV performance fee and abortive acquisition costs. Further details are provided in notes 2 and 8.

CHIEF EXECUTIVE'S REVIEW continued

HOME FOR SUCCESS

OUR STRATEGIC OBJECTIVES

- DELIVERING FOR OUR CUSTOMERS AND UNIVERSITIES
- ATTRACTIVE RETURNS FOR SHAREHOLDERS
- A RESPONSIBLE AND RESILIENT BUSINESS

Strategic overview

Our best-in-class operating platform provides us with strong foundations to adapt to evolving student needs and deliver an enhanced customer experience. There are also significant opportunities to invest in our well-located and affordable estate to drive rental growth and improve the environmental performance of our buildings.

Our strategy is focused on three key objectives, which will deliver value for our range of stakeholders:

- Delivering for our customers and universities
- Attractive returns for shareholders
- Being a responsible and resilient business

Delivering for our customers and universities

We have a best-in-class operating platform in the student accommodation sector, underpinned by our PRISM operating platform, passionate frontline teams and sector-leading student support. We introduced a new operating model during the year, meaning all our properties are now staffed 24/7, 365 days a year, so that students can access in-person support when they need it. We have also made various service enhancements, including further improvements to student support in collaboration with our Higher Education partners as well as digital upgrades to better enable our customers to self-serve the services they need. In addition, we are investing to upgrade PRISM over the next 12–18 months, which will deliver an improved customer experience alongside cost savings through greater efficiency.

The success of our customer initiatives is reflected in an increase in our Net Promoter Score to +38 for the class of 2022 (2021: +35). For those buildings where we delivered major refurbishments during the year, NPS scores improved by an average of more than 50 points. We have also seen a significant increase in our retention of direct-let customers for 2023/24 and have secured demand from universities for an additional 5,000 beds under nomination agreements compared to the same stage in the prior year.

Our long-term university relationships remain a key differentiator for Unite and a source of potential growth opportunities. This is reflected in over 60% of our development pipeline by cost being underpinned by university partnerships. For developments completing in 2022, 78% were let under nomination agreements for an average of nine years with the University of Bristol and King's College London.

We continue to evolve the customer offer in our properties to better appeal to the different customer segments who live with us. There is a significant opportunity to attract more non-first year students who have historically chosen to stay in the HMO sector given their desire for greater independence. We successfully extended our postgraduate trials in six buildings for the 2022/23 academic year and also deliberately tailored our three major refurbishments in Manchester to different segments: UK undergraduates, postgraduates and international students.

Attractive returns for shareholders

We achieved a return to full occupancy for the 2022/23 academic year, as market conditions normalised following the disruption of the previous two years during the Covid-19 pandemic. This supported rental growth of 3.5% for the 2022/23 academic year and an improvement in our EBIT margin to 67.9% (2021: 62.3%). We also delivered total accounting returns of 8.1% for the year, driven by our recurring earnings and the positive impact of rental growth on our property valuations (2021: 10.2%).

The quality, location and scale of our portfolio is key to delivering attractive, sustainable returns for our shareholders. During the year, we made disposals totalling £339 million (Unite share: £256 million) at a blended yield of 5.7% to enhance our overall portfolio quality and fund reinvestment into the improvement of our estate. These proactive sales have reduced our footprint from 25 to 23 markets and completes the disposals of non-strategic assets identified following our acquisition of Liberty Living in 2019.

The proceeds were partially redeployed to increase our investment in USAF, which increased our share of the fund's portfolio by £177 million at an effective acquisition yield of 5.1% and takes our ownership share to 28%. The Group also successfully delivered £275 million in developments and major asset management projects in the year at a blended yield of 6.2%. The schemes were delivered in line with budget and all are fully let for the 2022/23 academic year.

We are committed to four development projects, requiring £200 million in future capex and expected to deliver a yield on cost of 6.7%. We are also reviewing future development starts to ensure projects deliver earnings accretion in an environment of higher funding costs. However, given the strength of demand from students and universities, we expect to commit to further developments during 2023.

Q&A

with Karan Khanna Chief Customer Officer, Unite

Karan leads the operational and commercial functions for Unite, working with his team to enhance the student experience, deliver commercial performance and raise brand awareness. He joined the business in June 2021 from InterContinental Hotels Group, where he served as managing director for the UK and Ireland. Here, Karan explains some of the focus areas for the year.

Q: How has Unite delivered value for customers during the cost-of-living crisis?

A: Our costs are very competitive when compared to other forms of student accommodation. We offer a simple, fixed rent that includes utilities, Wi-Fi, maintenance, security, and insurance, so students have certainty on cost. Due to our scale, we purchase utilities on competitive terms, so we can also offer students significant savings on their bills.

Looking beyond costs, the value we offer to students is about the experience we create. We want to offer a home where they feel happy, secure, and able to be at their best. Our students – some of whom are away from home for the first time – may need support, so last year we moved to a 24/7 model – which means our trained team are there for students any time they need us.

Q: So, what investments have been made in supporting students' wellbeing?

A: We recognise the pressures facing today's students and have taken a number of actions to improve the wellbeing of students in our properties.

A new framework – Support to Stay – has been designed in partnership with universities to help students maximise their success despite any medical, physical or mental health difficulties they may be experiencing.

Student wellbeing is also a core focus for our front-line team members. Alongside a dedicated student support team, we also have a Resident Ambassador programme so students can provide peer-to-peer support to one another.

Right now, we know that financial wellness is top of mind for students. That's why we joined forces with financial planning experts, Blackbullion, to offer students practical tools to help them manage their money.

Q: Do you see student expectations evolving?

A: Definitely. Today's students have high expectations of their accommodation experience – they want more than just a room to sleep in.

Gen Z expects a seamless digital journey, and we connect with them throughout their time with us through our MyUnite app. Recent enhancements to the app include customer notifications, digital check-out, and also a dedicated space for student welfare.

We continue to invest in making our buildings great spaces for students to thrive. Last year this included two new properties and three major refurbishments, with the buildings benefiting from social spaces, karaoke rooms, cinema rooms and gyms.

Sustainability sits at the heart of all developments to ensure they remain fit for the future. This year's projects incorporated improved insulation, solar panels and air source heat pumps to reduce carbon emissions and improve their EPC ratings.

Q: Are you investing in your team and platform to create a better experience for students?

A: Yes, and this is a top priority for us. Last year saw the launch of The Academy, which delivers tailored learning experiences for all employees – especially focused on student safety and wellbeing.

Customer data shows that social connections matter greatly, so alongside a Higher Education partner we are also trialling how we can use data and technology to place students in flats with the people they will most likely get along with best.

Looking ahead, we are teaming up with an award-winning design agency to create the next generation accommodation experience which we will be rolling out shortly.

Q: Finally, what actions have you taken to keep buildings fire safe for students?

A: We were one of the first companies to take action to remove Aluminium Composite Material (ACM) cladding from our buildings and continue to survey our estate and undertake any necessary remedial work, putting the safety of our students at the heart of what we do.

We have a dedicated fire safety team of four people with extensive experience in risk management. But we recognise that educating students on fire safety also plays a part. That's why we hold an annual fire safety education week – which last year included live events hosted by the fire service.

For more about this project, go online to:
unitegroup.com/partnerships/insights

CHIEF EXECUTIVE'S REVIEW continued

Being a responsible and resilient business

Our sustainability strategy is focused on delivering a positive impact through our People and Places initiative. This is driven by the social contribution we make to the students who live with us, our employees and local communities as well as our progress in minimising our impact on the environment.

We continue to make progress towards our objective of becoming a net zero carbon business by 2030. During the year, we invested £13 million in energy initiatives to reduce consumption, save carbon and ensure ongoing compliance with regulations, up from £3 million in 2021. This contributed to a further improvement in the EPC ratings of our portfolio during the year, with 80% of the portfolio now A–C rated (2021: 57%).

We are committed to donating 1% of our annual adjusted earnings to social initiatives. These initiatives will be closely aligned to our purpose of providing a Home for Success for students and supporting wider participation in Higher Education. This includes the Unite Foundation, the charitable trust founded by Unite to provide free accommodation for care leavers and estranged students while at university. The Foundation marked its tenth anniversary this year and, to mark the milestone, Unite provided financial support for 100 new student scholarships for the 2022/23 academic year as well as home starter kits for over 200 additional students. Over 600 students have now benefited from scholarships during the Foundation's 10-year history.

Higher Education Policy

The Government concluded its consultation on Higher Education policy in 2022, which emphasised a focus on investing in the UK's world-class universities, enabling high-quality outcomes for graduates and making sure that Higher Education remains accessible to all. Going forwards, the Office for Students (OfS) will be responsible for monitoring minimum standards for Higher Education providers based on continuation and completion of courses as well as graduate progression. Application of these standards is in its early days and the OfS will initially work with providers to understand the context for any underperformance. We are confident that our strategic alignment to high- and mid-ranked universities positions us to successfully navigate any risks from restrictions on low-value courses.

International students contribute an estimated £29 billion to the UK economy each year and provide a vital source of funding for universities. However, international students and their impact on migration remains topical, with attention currently focused on the number of dependents coming to the UK with students. Given our product is focused on single-occupancy bedrooms, we see relatively limited risk in the event of more restrictive visa rules for dependents.

Opportunities for growth

The outlook for student accommodation remains positive, with structural factors continuing to drive a demand/supply imbalance for our product. Demographic growth will see the population of UK 18-year-olds increase by 140,000 (19%) by 2030. Application rates to university have also grown steadily over recent years, reflecting the value young adults place on a higher level of education and the life experience and opportunities it offers.

This backdrop creates significant opportunities to grow the business in the UK student accommodation sector through development and targeted acquisitions in our strongest markets and partnerships with universities.

The HMO sector, which provides homes to over one million students, is increasingly expensive due to rising mortgage costs for landlords and utility costs for tenants. We expect these cost pressures to only grow for private landlords given increasing regulation around the quality of homes and environmental performance standards through EPC certification. We expect this to further reduce the availability of private rented homes over time, increasing demand for the purpose-built, sustainable accommodation we provide.

We believe that there is also an exciting opportunity to grow our platform in the wider living sector by catering to the growing number of young professional renters living in major UK cities. We already serve this market through the 9,000 postgraduate students who live with us each year. In September, we acquired a pilot build-to-rent (BTR) property in Stratford, East London for £71 million. The pilot offers the opportunity to test our operational capability in the sector and understand the potential synergies with our core student business through increased customer retention and cost efficiencies in areas such as maintenance and procurement. Early signs are positive, with new lettings and renewals achieving average rental uplifts of 11%. The property is set to be fully integrated into our operating platform from Q2 2023 and our initial review suggests we have the capabilities to operate effectively and efficiently in the BTR sector.

Positive Outlook

We are confident in the outlook for the business, which remains positive, reflecting the underlying strength of student demand, our alignment to high-quality universities and the capabilities of our best-in-class operating platform.

We have seen a strong start to the 2023/24 sales cycle, reflecting the appeal of our high-quality portfolio and fixed-price, all-inclusive offer, which provides students with significant savings and certainty on their bills. We now expect to deliver rental growth of 6–7% for the 2023/24 academic year, enabling us to offset cost pressures and improve our EBIT margin to 70% for 2023. Growing income also offers support to our property valuations as the market adjusts to an environment of higher funding costs. As a result, we expect to deliver 5–8% growth in adjusted EPS in 2023 and a total accounting return of 8–10% before the impact of property yield movements.

There remains a clear need for new high-quality, affordable student accommodation to support the growth of our university partners. We are exploring a variety of routes to fund new growth, while ensuring we maintain a robust and resilient balance sheet. Despite pressures from higher funding and operating costs, we remain confident in our ability to grow earnings and deliver attractive total accounting returns for shareholders.

Richard Smith
Chief Executive Officer
28 February 2023

Q&A

with Helene Murphy Group People Director, Unite

Helene became Group People Director in January 2021, with a renewed vision for the People function. Leading all aspects of the People strategy, Helene has brought her experience from international start-ups and multi-national organisations to Unite. Here, Helene shares more about Unite's ambition to deliver a Home for Success for our employees.

Q: As the cost-of-living crisis took hold, what did Unite do to support employees?

A: We are extremely conscious of the pressures that the cost-of-living crisis is having on our people – but especially the lowest paid in our business.

As the conversations around cost-of-living grew, we discussed the ways we could support our employees and introduced additional financial wellbeing measures such as educational webinars and new financial support providers. An additional one-off payment of £500 was also made to support our people.

We also announced our highest ever pay award, following a tiered approach by salary with 95% of our employees receiving 5% or more, and our lowest earners being awarded 10%, reaffirming our long-standing commitment to being a Real Living Wage employer.

Q: How do you ensure that employees grow and develop with the business?

A: In late 2022, we were proud to launch The Academy; a fresh approach to employee lifelong learning, delivering a combination of online learning, bitesize modules, and face-to-face learning for all.

Continuing to invest in our people, we launched bespoke Institute of Leadership and Management (ILM) programmes, supporting our leaders and managers to become focused, high-achieving, and knowledgeable leaders.

Q: What progress was made in Diversity, Equity, Inclusion and Belonging in 2022?

A: I am excited to have launched our first diversity, equity, inclusion and belonging (DEIB) and wellbeing strategy: We are US, which outlines our plan for the next three years.

Our employee forum, Culture Matters, has been integral in embedding our strategic vision. They have sponsored a more inclusive and equitable culture, and in 2022 the forum headed the reform of our family leave policies, promoting more inclusive language and first of its kind benefits for those who experience child-loss. We have bolstered our diverse talent pipelines through sponsorship of National Student Pride and programmes such as #10000BlackInterns, a charitable organisation which provides internships to students from Black heritage backgrounds – both under-represented groups in the labour market.

We also launched a new DEIB learning programme under The Academy, designed to give our employees the knowledge and skills they need to become more consciously inclusive.

Delivering a Home for Success is not just about looking inwardly at our employees and students, but also considering the impact we have on our stakeholders and wider communities. We have made important strides forward in DEIB and Wellbeing in 2022, and look forward to continuing this journey in 2023.

Q: Finally, how do you recognise employees for a job well done?

A: The Stars Awards is the hottest date on the Unite calendar, and I was really proud to host them this year. We recognised our colleagues who go above and beyond in categories such as teamwork, leadership, safety and wellbeing, allyship, and sustainability. The event showcased our commitment to our values, with feedback praising its inclusivity and the opportunity to engage with other teams.

For more about this project, go online to:
unitegroup.com/partnerships/insights