FINANCIAL REVIEW

ADJUSTED EPS
44.3p
(2022: 40.9p)

TOTAL ACCOUNTING RETURN
2.9%
(2022: 8.1%)

LOAN-TO-VALUE RATIO
28%
(2022: 31%)

Watch Joe Lister, Chief Executive, **and Mike Burt** answer more questions.

A POSITIVE OUTLOOK FOR THE YEAR AHEAD

"Rents increased by 7.4% on a like-for-like basis for 2023/24. We maintained a high proportion of income let to universities, with 53% of beds provided under nomination agreements while also achieving our highest ever university NPS score."

Mike Burt
Chief Financial Officer

Operations Review

Full occupancy for 2023/24

We achieved occupancy of 99.8% across our total portfolio for the 2023/24 academic year (2022/23: 99.2%), reflecting the quality of our offer and university relationships, strong student demand and the shortage of supply in many markets.

We have been deliberate in aligning our portfolio to high and medium-tariff universities, where the number of accepted applicants grew slightly for the 2023/24 academic year. By contrast, lower-tariff universities saw a 5% reduction in acceptances, continuing the trend of the past decade for a flight to quality. Our portfolio is 93% aligned to Russell Group markets, where the number of accepted students rose by 2% year-on-year and is now 7% above pre-pandemic levels. Overall, the undergraduate intake for 2023/24 reduced by 2% to 554,000 (2022/23: 563,000), but remained 2% higher than pre-pandemic levels.

FINANCIAL REVIEW continued

Strong rental growth

Annual rents increased by 7.4% on a like-for-like basis for 2023/24 (2022/23: 3.5%), reflecting average increases of 7.7% for nomination agreements and 7.1% for direct-let tenancies. Rental growth from our nomination agreements exceeded the portfolio average despite the rental caps in place on many of our multi-year nomination agreements. This reflects our success in agreeing increased rental levels on renewals of single-year deals and new multi-year agreements where our university partners recognise the value our accommodation provides at a time of increasing costs. Continued enhancements to our service and product offering drove strong demand and supported the increase in our check-in NPS score to +42 (2022: +38). Occupancy was broadly consistent across our wholly-owned portfolio, USAF and LSAV, with limited availability in all markets.

2023/24 rental growth and occupancy	Rental growth[1]	Occupancy[2]
Nomination agreements	7.7%	
Direct-let	7.1%	
Total	**7.4%**	**99.8%**

1. Like-for-like properties based on annual value of core student tenancies.
2. Beds sold.

We have maintained a high proportion of income let to universities, with 37,143 beds (53% of total) provided under nomination agreements for 2023/24 (2022/23: 36,611 and 52%). The increase in the percentage of beds under nomination agreements reflects universities' growing reliance on partners to meet their accommodation needs. We achieved our highest ever university NPS score of +32 (2022: +7), recognising our sector-leading student welfare offer, Support to Stay, and thought leadership in the sector.

The unexpired term of our nomination agreements is 5.8 years, down slightly from 6.3 years in 2022/23. A balance of nomination agreements and direct-let beds provides the benefit of having income secured by universities, as well as the ability to offer rooms to re-bookers and postgraduates and determine market pricing on an annual basis. We expect to maintain nomination agreements between 50–60% of beds going forward.

65% of our nomination agreements, by income, are multi-year and therefore benefit from annual fixed or inflation-linked uplifts based on RPI or CPI. The remaining agreements are single year, and we achieved a renewal rate of 89% with universities for 2023/24 (2022/23: 92%). As inflation reduces, index-linked agreements will move below their capped annual uplifts, meaning a return to historical levels of rental growth over time.

Agreement length	Beds 2023/24	% Income 2023/24
Single year	12,877	35%
2–5 years	6,535	19%
6–10 years	5,362	15%
11–20 years	6,581	16%
20+ years	5,788	15%
Total	**37,143**	**100%**

UK students account for 72% of our customers for 2023/24 (2022/23: 72%), making up a large proportion of the beds under nomination agreements with universities. This represents a significant increase in our weighting to UK students over recent years, compared to 60% immediately prior to the pandemic, and reflects our success in retaining second- and third-year students who might have historically moved into the HMO sector. In addition, 26% and 2% of our customers come from non-EU and EU countries respectively (2022/23: 25% and 3%).

FINANCIAL REVIEW continued

Operations Review continued

Postgraduates make up around 20% of our direct-let customer base and re-bookers accounted for 43% of our direct-let bookings for the 2023/24 academic year (2022/23: 39%), reflecting the proactive retention campaign in our properties. The growing share of postgraduate and non-first-year undergraduate students in our properties, who typically seek greater independence, supports our strategy of increasing the segmentation of our customer offer to capture market share form the traditional HMO sector.

Occupancy by type and domicile by academic year

		Direct-let				
	Nominations	UK	China	EU	Non-EU	Total
2020/21	53%	16%	11%	4%	4%	88%
2021/22	51%	21%	13%	3%	6%	94%
2022/23	52%	24%	14%	2%	7%	99%
2023/24	**53%**	**24%**	**13%**	**2%**	**8%**	**100%**

Positive outlook for 2024/25

Applications data for the 2024/25 academic year is encouraging, with total applications flat on 2023/24 but still 6% ahead of pre-pandemic levels. We continue to see strongest demand for the high and mid-tariff universities to which we have aligned our portfolio. Application rates remain strong for UK 18-year-olds at 41.3% and there continues to be significant unmet demand for university places, as demonstrated by the nearly 200,000 unplaced students in 2023/24. Applications from international students are 1% higher for 2024/25, with 2% growth from non-EU markets more than offsetting a 3% reduction in EU applicants.

Demand for the Group's accommodation remains strong. Across the Group's entire property portfolio, 80% of rooms are now reserved for the 2024/25 academic year, which is ahead of our typical leasing pace. We have seen increased early demand from universities who see quality accommodation as a key part of their offer to prospective students. Current reservations under nomination agreements account for 55% of available beds for 2024/25, an increase of two percentage points compared to 2023/24.

In our strongest markets, we have also seen students looking to secure accommodation early in the sales cycle. Our nominations and direct-let sales performance is supportive of our guidance for full occupancy and rental growth of at least 6% for the 2024/25 academic year (previously at least 5%).

Technology upgrade to enhance customer experience and operating margins

We are in the process of upgrading our end-to-end technology systems to enhance customer experience and drive efficiencies which deliver margin improvement. The project is our largest investment in technology since the implementation of PRISM in 2016 and will deliver enhanced systems for customer relationship and property management, as well as improved booking and marketing platforms. The initial phase of upgrades has now been implemented, with the remaining elements of the programme expected to be delivered over the next 12–24 months. Around half of the total £26 million programme cost has already been incurred. We expect to achieve a payback of under five years through enhanced utilisation and cost efficiencies which will increase our EBIT margin by around 1%, as benefits accrue from mid-FY2025.

Software as a Service accounting

Our technology upgrade project includes transitioning from traditional on-premises solutions to a predominantly cloud-based Software as a Service (SaaS) model. Following a review of our accounting treatment, implementation costs which were previously capitalised will now be recognised as an expense when incurred. £12.8 million of costs have already been expensed in 2022 and 2023, reflecting around half of the overall project costs. We expect to incur around £10 million of further implementation costs in FY2024 and the remaining £3 million in FY2025. To better reflect the underlying operating performance of the business, these implementation costs will be removed from adjusted earnings. Post implementation, technology licence costs will be expensed on a recurring basis.

Following completion of the technology upgrade, we expect a reduction in annual depreciation and amortisation charges of around £3 million from FY2026 due to less intangible assets. The change has no impact on EPRA NTA, which excludes intangible assets. Further information is included within section 1 of the financial statements.

FINANCIAL REVIEW continued

Operating costs

Inflation remained higher than expected through the year and resulted in our operating costs growing faster than initially expected. We are partially protected but not immune from the effects of inflation on our cost base, thanks to our hedging policies and proactive steps to deliver efficiencies through technology and a review of discretionary spend. Inflationary pressures, combined with higher marginal costs from increased occupancy, resulted in a 4% increase in property operating costs during 2023.

Staff costs increased by £1.5 million due to underlying wage increases, driven by the pay award for 2023.

We hedge our utility costs in advance of letting rooms, providing visibility over our cost base at the point of sale. This policy helped limit utility cost increases to 18% or £4.1 million during the year. Our utility costs are fully hedged through 2024 and 55% for 2025. As cheaper hedges put in place before the war in Ukraine expire, we expect the cost of utilities to increase by around 15% in 2024, equivalent to 1% growth in rental income. Reductions in power and gas prices would support margin improvement from 2025 if sustained at current levels.

Summer cleaning costs increased by £0.5 million as we enhanced our pre-check-in cleaning in response to student feedback, which supported the improvement in our NPS score. Marketing costs increased by £0.6 million, reflecting ongoing investment in our brand and commercial proposition.

Central and other costs increased by £7.5 million due to cost increases or buildings insurance, reactive maintenance, broadband, bad debt and council tax/HMO licences, as well as a c.£0.8 million full year impact of our BTR pilot in Stratford.

Property operating expenses breakdown	2023 £m	2022 £m	Change
Staff costs	**(29.7)**	(28.2)	5%
Utilities	**(26.9)**	(22.8)	18%
Summer cleaning	**(5.7)**	(5.1)	9%
Marketing	**(7.3)**	(6.7)	9%
Central costs	**(16.8)**	(14.4)	16%
Other	**(26.6)**	(21.5)	24%
Property operating expenses	**(113.0)**	**(98.7)**	**14%**

FINANCIAL REVIEW continued

Property Review

Our property portfolio saw a 1.7% increase in valuations on a like-for-like basis during the year (Unite share: 1.2%), as strong rental growth offset increases in property yields as the market adjusted to a higher interest rate environment. The see-through net initial yield of the portfolio was 5.0% at 31 December 2023 (December 2022: 4.7%), which reflects like-for-like yield expansion of 31 basis points in the year.

Since June 2022, we have seen a total 40–60 bps of yield expansion across our markets. The weaker valuation performance for LSAV reflects its higher London weighting when compared to USAF (85% and 14% by value respectively), where greater increases in property yields have had a more significant negative impact on valuations.

Breakdown of like-for-like capital growth[1,2]

£m	Valuation 31 Dec 2023	Rental growth	Yield movement	Other[3]	Total
Wholly-owned	3,748	301	(223)	(42)	36
LSAV	1,922	171	(166)	(4)	1
USAF	2,992	223	(121)	2	104
Total (Gross)	8,662	695	(510)	(44)	141
Total (Unite share)	5,550				66

% capital growth	Rental growth	Yield movement	Other	Total
Wholly-owned	8.3%	(6.2)%	(1.2)%	1.0%
LSAV	8.9%	(8.6)%	(0.2)%	0.0%
USAF	7.7%	(4.2)%	0.1%	3.6%
Total (Gross)	8.2%	(6.0)%	(0.5)%	1.7%
Total (Unite share)				1.2%

1. Excludes leased properties and gains on disposals.
2. Excludes NTA neutral re-allocation of fire safety provision to Investment Property from Other assets/ (liabilities) on balance sheet.
3. Other includes changes to operating cost assumptions and income adjustments on reversionary assets.

CASE STUDY

Meeting housing need with development

Our pipeline of developments is freeing up shared houses (HMOs) in UK cities.

In Bristol, we are building a c.600-bed development at the heart of one of the UK's largest regeneration projects, next to the University of Bristol's new Temple Quarter campus. The university will lease at least half of the rooms at Marsh Mills, which is due to open for the 2025/26 academic year.

The construction phase of our £185 million London property, Hawthorne House, in Stratford, has started and it is due to open for the 2026/27 academic year. Half (51%) of the rooms in the 36-storey property will be for University of the Arts London students. 65,000 sq ft will be occupied by a school, the London Academy of Excellence, for a 35-year term.

We have entered an option agreement to acquire a £95 million city centre development, 800-bed project in Glasgow, subject to planning. The aim is to deliver the property for the 2026/27 academic year.

In Nottingham, Bromley Place a 271-bed, £34 million development will be ready for the 2024/25 academic year, incorporating Victorian features of the existing building.

FINANCIAL REVIEW continued

The proportion of the property portfolio that is income generating is 97% by value, up from 96% at 31 December 2022. Properties under development have decreased to 3% of our property portfolio by value (31 December 2022: 4%), following the completion of our development at Morriss House in Nottingham offsetting the impact of additional spend on our committed pipeline during the year. We expect the proportion of properties under development to grow as we commit to additional projects.

The PBSA investment portfolio is 38% weighted to London by value on a Unite share basis, which is expected to rise to 43% on a built-out basis following completion of our secured development pipeline.

Development and university partnership activity

The slowing supply of competing PBSA and an 8% decline in HMO supply over the last two years creates significant opportunities for new development. There is widespread acknowledgement from universities and local authorities of the need for new student accommodation to relieve pressure on housing supply in local communities. New supply of PBSA is down 60% on pre-pandemic levels, reflecting viability challenges created by higher build and funding costs. Planning timescales are also increasing as local authorities face significant backlogs, further constraining supply. Moreover, property valuations are now below replacement costs in many university cities, making new development less viable. Positively, we saw build cost inflation moderate during the year, on the back of lower material prices, though the availability of skilled labour remains tight.

These conditions, while challenging, play to the strengths of our development capabilities and well-capitalised balance sheet. As a result, the current market environment offers the strongest opportunity for new development in recent years.

Our development pipeline is aligned to the highest quality universities with 100% located in Russell Group cities. Development and university partnerships will be a significant driver of future growth in our earnings and EPRA NTA as we build out the pipeline. Our development pipeline now includes 7,327 beds, with a total development cost of £1,271 million, of which 2,741 beds or 53% by cost will be delivered in London. This will contribute £77 million (Unite share) of net operating income when complete.

The Building Safety Act is now in effect and addresses the safety of new residential accommodation, by adding three gateways to the design, build and occupation of new buildings. We expect these gateways will add around six months to PBSA development programmes, which will further slow new supply. Our appraisals and delivery targets fully reflect the expected impact of the Act.

We continue to see opportunities for new development and university partnership schemes at attractive returns and expect to add new opportunities to our pipeline during the year.

Completed schemes

During the year, we completed our 705-bed Morriss House scheme in Nottingham at a cost of £60 million. The development is fully let for the 2023/24 academic year, achieving a yield on cost of 8.5%. The project trialled a new design concept with enhanced communal areas and welcome desk, which has been well received by customers. The project's embodied carbon of c.800kg/m^2 is 33% below the RIBA baseline of 1,200kg/m^2 and ahead of annual milestones on our path towards net zero development from 2030. The scheme also achieved BREEAM Excellent and EPC A ratings and is fully electric, with no gas reliance.

Committed schemes

We are committed to five development schemes, totalling 2,954 beds and £569 million in total development costs. The £407 million of costs to complete these projects is fully funded from the Group's cash and available credit facilities. When complete, the projects will add a combined £37 million to net operating income.

Our £36 million Bromley Place development in Nottingham city centre will deliver 271 new beds for the 2024/25 academic year. We will deliver a higher specification product, with larger bedrooms and an enhanced design for the common areas, which we will target at the post graduate market. We expect a significant reduction in embodied carbon, to around 670kgCO_2e/m^2, through adoption of low-carbon construction materials and retaining elements of the existing building.

At Abbey Lane in Edinburgh, we are on-site and targeting completion for the 2025/26 academic year. We will deliver 298 beds in cluster-flats as well as 66 two- and three-bed clusters in a separate block. These smaller flats will be available for postgraduate students, university staff and other young professionals and form part of our BTR pilot.

Construction is also underway at our Hawthorne House scheme in Stratford with the student accommodation element expected to be delivered in time for the 2026/27 academic year. The development will be delivered as a university partnership, with over half of the beds let under a nomination agreement for 10 years to an existing university partner.

At Marsh Mills, construction is underway and on track to deliver for the 2025/26 academic year. The 614-bed scheme will be 50% nominated by the University of Bristol on a long-term agreement. The site is adjacent to the University of Bristol's new Temple Quarter campus and will grow our portfolio in Bristol to 4,700 beds.

Property Review continued

Our Meridian Square project in Stratford is set to be heard at planning committee in the coming weeks and we expect to acquire the site and start construction later in the year. We are targeting delivery of the 952-bed project for the 2027/28 academic year.

Future pipeline

There are an additional 2,373 beds in our secured pipeline for as yet uncommitted schemes with total development costs of £452 million. We expect to fund these schemes through a mix of disposals and new borrowing.

Planning is progressing well for our Freestone Island project in Bristol, which we expect to secure later in Q1 2024. Following planning, we will exercise our option to acquire the site this year for delivery for the 2026/27 academic year.

In September we announced our new Central Quay development in Glasgow which aims to deliver 800 beds for the 2026/27 academic year. We have an option to acquire the land once planning is secured, which is targeted for the second quarter of 2024.

We have recently secured an option to acquire a 501-bed project in Elephant and Castle in London, which is well located for a number of leading London universities. The scheme is expected to be delivered in 2028, subject to planning.

New development opportunities

In addition to our uncommitted pipeline, we continue to progress a number of further development opportunities in London and prime regional markets at attractive returns.

We are seeking prospective returns on new direct-let schemes at around 7.5–8.0% in regional markets and 6.5–7.0% in London. We have lower hurdle rates for developments that are supported by universities or where another developer is undertaking the higher-risk activities of planning and construction. For new schemes, viability has been supported by strong recent rental growth and a stabilisation in build costs.

University partnerships pipeline

Co-investment in accommodation alongside a university has been an objective for the business for several years. In February 2024, we announced that Unite Students and Newcastle University have agreed to enter into a joint venture to develop c.2,000 beds at the University's Castle Leazes site for delivery in 2027 and 2028. The joint venture deepens our 20-year relationship with Newcastle University through a long-term strategic partnership. The Castle Leazes site currently provides c.1,250 beds and was built in 1969. Newcastle University has committed to close the existing accommodation on the site and commence demolition in the summer of 2024. Total development costs are expected to be c.£250 million with Unite Students expecting to commit c.£70 million in equity for a 51% stake. Newcastle University will own a 49% stake in the JV and contribute to the Castle Leazes site on a 150-year lease, with remaining funding coming from new debt secured against the JV. To support the University's accommodation requirement during development, Unite Students has provided 1,600 beds on a four-year nomination agreement. Entry into the joint venture is subject to planning approval. Planning submission is expected by the end of Q1, which would support formation of the JV before the end of 2024.

Building on this proof of concept, we are in active discussions with a range of high-quality universities for new partnerships which we are looking to progress over the next 12–18 months. These include discussions around stock transfer and refurbishment of existing university accommodation as well as new development both on- and off-campus. We expect our agreement with Newcastle University to support further progress in other discussions. Our existing university relationships through nomination agreements, best-in-class operating platform and development capability, as well as access to capital, provide us with a unique opportunity to deepen these partnerships.

In addition, our four London developments will be delivered as university partnerships, in line with requirements in the London Plan for the majority of new beds to be leased to a Higher Education provider. Our two Bristol projects will be delivered as partnerships with the University of Bristol, building on our existing city-wide agreement with the university and helping to address an acute shortage of student accommodation in the city.

FINANCIAL REVIEW continued

Secured development and partnerships pipeline

	Type[1]	Target delivery	Secured beds/ units No.	Total completed value £m	Total development costs £m	Capex in period £m	Capex remaining £m	Forecast NTA remaining £m	Forecast yield on cost %
Committed development									
Bromley Place, Nottingham	DL	2024	271	47	36	10	19	4	7.1%
Abbey Lane, Edinburgh	DL	2025	614	122	78	7	52	21	7.3%
Marsh Mills, Bristol	UPT	2025	401	74	62	4	49	6	7.1%
Hawthorne House, Stratford[3]	UPT	2026	716	238	194	14	102	33	6.1%
Meridian Square, Stratford[2]	UPT	2027	952	265	199	11	185	40	6.4%
Total committed			**2,954**	**746**	**569**	**46**	**407**	**104**	**6.5%**
Future pipeline									
Freestone Island, Bristol[2]	UPT	2026	500		71		69		7.2%
Central Quay, Glasgow[2]	UPT	2027	800		97		97		7.2%
TP Paddington, London[2]	UPT	2028	572		157		152		6.4%
Elephant & Castle, London[2]	UPT	2028	501		127		127		6.5%
Total future pipeline			**2,373**		**452**		**445**		**6.7%**
Castle Leazes, Newcastle[4]	JV	2027/28	2,000		250		250		7.3%
Total pipeline			**7,327**		**1,271**		**1,102**		**6.8%**
Total pipeline (Unite share)			**7,327**		**1,149**		**980**		**6.7%**

1. Direct-let (DL), University partnership (UPT).
2. Subject to obtaining planning consent.
3. Yield on cost assumes the sale of academic space for c.£45 million.
4. Unite share 51%. Yield on cost includes management fees in NOI and deducts development management fee from costs.

Asset management

In addition to our development activity, we see significant opportunities to create value through asset management projects in our estate. These projects have shorter lead times than new developments, often carried out over the summer period, and deliver both attractive risk-adjusted returns and significant enhancements to student experience.

In September we completed three asset management schemes in London, Edinburgh and Birmingham. Investment across the three projects totalled £24 million in aggregate and delivered a 9% yield on cost. The projects delivered additional beds, refurbished existing rooms and enhanced the environmental performance of the properties. We have secured new nomination agreements for over half of the refurbished beds and achieved full occupancy for the 2023/24 academic year.

We have a significant pipeline of attractive asset management opportunities and will accelerate investment to c.£50 million (Unite share: £40 million) during 2024, improving the experience of around 5,000 students for the start of the 2024/25 academic year. We expect to further increase the level of asset management activity in 2025.

Disposals

We continue to manage the quality of the portfolio and our balance sheet leverage by recycling capital through disposals. We are holding £197 million of assets (Unite share: £79 million) for sale on our balance sheet and expect to complete in the second quarter. The disposals were priced at a blended 6.4% yield and in line with book value after deductions for fire safety works.

We will continue to recycle capital from disposals to maintain LTV around our c.30% target and net debt:EBITDA in the 6-7x range. The level of planned disposals will adjust to reflect capital requirements for our development and asset management activity as well as market pricing. We will target future disposals of around £100–150 million p.a. (Unite share).

Acquisitions

We continue to review potential acquisition and forward funding opportunities alongside our other uses of capital. We are tracking opportunities to acquire older, well-located assets with asset management potential at relatively attractive yields. We are focused on opportunities in our strongest markets aligned to high-quality universities, where we see the ability to deliver attractive rental growth over the long term.

Property Review continued

Build-to-rent

During the year, we have transferred operational management of our pilot build-to-rent (BTR) asset in Stratford, London onto our operating platform. There are clear opportunities to leverage our existing operating platform to deliver cost efficiencies and use our BTR product to retain our student customers seeking a more independent living experience. Rental growth continues to outperform our assumptions from the time of acquisition, with new lettings during 2023 15% above previous rental levels. We are planning to commence a refurbishment of the building in 2024 to improve the customer experience and support higher rental levels.

We do not expect to increase our capital commitment to BTR in the short term. We are continuing to explore opportunities to increase the scale of our BTR operations through co-investment with institutional investors, where Unite Students would act as asset manager. Subject to identifying suitable opportunities, this structure would enhance returns for the Group while limiting capital requirements as we develop our understanding of the opportunity in the BTR sector.

Fire safety

Fire safety is a critical part of our health and safety strategy, and we have a track record of leading the sector on fire safety standards through our proactive approach. The Building Safety Act has introduced new requirements for provision of safety information, management of data and design gateways for new developments, and has been fully embedded in the day-to-day workings of the business. We will continue to make future investments in fire safety, as required, to comply with government regulations.

During 2023 we completed fire safety improvements on 16 buildings across our estate. We prioritise remediation according to our risk assessments and have made additional provisions totalling £86.2 million (Unite share: £42.5 million) for works at a further 10 properties in our year-end balance sheet. We have transferred the 2023 addition to provisions in respect of committed spend on fire safety and façade works taking place in AY 2024/25 to property valuations as a deduction to fair value totalling £80.6 million (Unite share: £39.8 million. This change is NTA neutral with the reduction in property valuations offset by a reduction in other liabilities. We spent £78.5 million (Unite share: £39.3 million) on fire safety capex during the year. At the year-end, the total outstanding provision for fire safety works was £42.3 million (Unite share: £22.3 million), the costs for which will be incurred over the next two years.

During the year we reached agreement with contractors for recovery of £13.6 million (Unite share: £5.7 million) in relation to three buildings. In total we have now agreed settlements totalling £39.2 million (Unite share: £27.3 million). We ultimately expect to recover 50–75% of total cladding remediation costs through claims from contractors, although the settlement and recognition of these claims is likely to lag costs incurred to remediate buildings. We expect the remediation programme to complete in 2028 with net spend higher in the earlier years of the programme and reducing substantially from 2026.

FINANCIAL REVIEW continued

Financial Performance

The Group uses Alternative Performance Measures (APMs), which are not defined or specified under IFRS. These APMs, which are not considered to be a substitute for IFRS measures, provide additional helpful information and include, among others, measures based on the European Public Real Estate Association (EPRA) best practice recommendations. The metrics are used internally to measure and manage the business.

Earnings and adjusted earnings

We delivered a strong operating performance in 2023, with adjusted earnings increasing by 13% to £184.3 million (2022: £163.4 million), reflecting an increase in rental income and costs, with a reduction in finance costs, when compared to the prior year. Adjusted EPS increased by 8% to 44.3p (2022: 40.9p), reflecting the increased share count following the capital raise in July.

	2023 £m	2022 £m
Rental income	**369.5**	339.7
Property operating expenses	**(113.0)**	(98.7)
Net operating income (NOI)	**256.5**	**241.0**
NOI margin	**69.4%**	70.9%
Management fees	**16.9**	17.4
Overheads	**(33.1)**	(33.8)
Finance costs	**(55.1)**	(63.0)
Development and other costs	**(9.1)**	(4.3)
EPRA earnings	**176.1**	**157.3**
SaaS implementation costs	**8.2**	4.6
Abortive acquisition costs	**–**	1.5
Adjusted earnings	**184.3**	**163.4**
Adjusted EPS	**44.3p**	**40.9p**
EPRA EPS	**42.2p**	**39.4p**
EBIT margin	***68.0%***	*67.9%*

A reconciliation of profit after tax to EPRA earnings and adjusted earnings is set out in note 2.2b to the financial statements.

IFRS profit before tax decreased to £102.5 million in the year (2022: £350.5 million), reflecting the increase in adjusted earnings of £20.9 million, a revaluation loss of £61.2 million (2022: £119.2 million profit) and a £17.2 million revaluation loss for interest rate swaps (2022: £70.7 million profit).

	2023 £m	2022 £m
Adjusted earnings	**184.3**	**163.4**
SaaS implementation costs	**(8.2)**	(4.6)
Abortive transaction costs	**–**	(1.5)
EPRA earnings	**176.1**	**157.3**
Valuation (losses)/gains and profit/(loss) on disposal	**(61.2)**	119.2
Changes in valuation of interest rate swaps and debt break costs	**(17.2)**	70.7
Non-controlling interest and other items	**4.8**	3.3
IFRS profit before tax	**102.5**	**350.5**
Adjusted earnings per share	**44.3p**	40.9p
IFRS basic earnings per share	**24.6p**	87.6p

A reconciliation of profit before tax to adjusted earnings and EPRA earnings is expanded in section 7 of the financial statements.

Financial Performance continued

Sales, rental growth and profitability

Rental income increased by £29.8 million to £369.5 million, up 9%, as a result of higher occupancy, rental growth and the full-year impact of increased USAF ownership. Like-for-like rental income, excluding the impact of major refurbishments, acquisitions, disposals and development completions, increased by 7% during the year.

Operating expenses increased by 18% in like-for-like properties, primarily driven by increased utility and staff costs due to the return to full occupancy throughout the year and increases in bad debt provisions, property maintenance and costs associated with commercial units within our buildings. The annualised impact of our increased USAF share contributed around 2% to the increase in operating expenses.

This resulted in a 6% increase in net operating income to £256.5 million (2022: £241.0m).

	FY 2023			FY 2022			YoY change	
£m	Wholly-owned	Share of Fund/JV	Total	Wholly-owned	Share of Fund/JV	Total	£m	%
Rental income								
Like-for-like properties	**224.7**	**94.4**	**319.1**	209.0	88.8	297.8	21.3	7%
Non-like-for-like properties	**34.1**	**16.3**	**50.4**	32.8	9.1	41.9	8.5	
Total rental income	**258.8**	**110.7**	**369.5**	**241.8**	**97.9**	**339.7**	**29.8**	**9%**
Property operating expenses								
Like-for-like properties	**(71.7)**	**(27.8)**	**(99.5)**	(62.0)	(22.2)	(84.2)	(15.3)	18%
Non-like-for-like properties	**(8.2)**	**(5.3)**	**(13.5)**	(10.0)	(4.5)	(14.5)	1.0	
Total property operating expenses	**(79.9)**	**(33.1)**	**(113.0)**	**(72.0)**	**(26.7)**	**(98.7)**	**(14.3)**	**14%**
Net operating income								
Like-for-like properties	**152.9**	**66.6**	**219.5**	146.9	66.7	213.6	5.9	3%
Non-like-for-like properties	**26.1**	**10.9**	**37.0**	22.8	4.6	27.4	9.6	
Total net operating income	**179.0**	**77.5**	**256.5**	**169.7**	**71.3**	**241.0**	**15.5**	**6%**

Marsh Mills, Bristol

FINANCIAL REVIEW continued

Overheads decreased by £0.8 million, reflecting underlying cost control. Recurring management fee income from joint ventures decreased to £16.9 million (2022: £17.4 million), driven by the annualised impact of our increased ownership share of USAF, partially offset by increased property valuations and NOI in USAF. Our EBIT margin increased slightly to 68.0% (2022: 67.9%), reflecting the offsetting impact of increases in rental income and operating costs.

We are targeting around a 50–100bps improvement in our EBIT margin in 2024, driven by rental growth, the impact of development and asset management, procurement savings and the enhanced use of technology as we seek to offset increases in utility and staff costs.

Finance costs reduced to £55.1 million in 2023 (2022: £63.0 million), reflecting lower borrowings following our equity raise and a reduction in our average cost of debt to 3.2% (2022: 3.4%) following the repayment of more expensive debt. £8.4 million of interest costs were capitalised during the year (2022: £6.3 million) in relation to our development pipeline.

Development (pre-contract) and other costs increased to £9.2 million (2022: £4.3 million), primarily reflecting accelerated recognition of share-based payments for Richard Smith.

EPRA NTA growth

EPRA net tangible assets (NTA) per share, our key measure of NAV, decreased by 1% to 920p at 31 December 2023 (31 December 2022: 927p). EPRA net tangible assets were £4,015 million at 31 December 2023, a £298 million increase from £3,717 million in the prior year.

The main drivers of the £298 million increase in EPRA NTA and 7 pence decrease in EPRA NTA per share were our capital raise, and retained profits, which more than offset the impact of negative valuation movements on our investment and development portfolio, losses on disposals and a further provision for fire safety capex.

IFRS net assets increased by 7% in the year to £4,067 million (31 December 2022: £3,788 million), principally driven by net proceeds from the capital raise and retained profits. On a per share basis, IFRS NAV decreased by 1% to 931p.

	£m	Diluted pence per share
EPRA NTA as at 31 December 2022	**3,717**	**927**
Investment portfolio	326	75
Yield movement	(336)	(77)
Net fire safety capex	(38)	(9)
Development deficit	(15)	(3)
Disposals and associated transaction costs	8	2
Capital raise	295	(4)
Retained profits/other	58	9
EPRA NTA as at 31 December 2023	**4,015**	**920**

Property portfolio

The valuation of our property portfolio at 31 December 2023, including our share of property assets held in USAF and LSAV, was £5,770 million (31 December 2022: £5,690 million). The £85 million increase in portfolio value reflects the valuation movements outlined above, capital expenditure and interest capitalised on developments.

Financial Performance continued

Summary balance sheet

£m	31 December 2023 Wholly-owned £m	31 December 2023 Share of Fund/JV £m	31 December 2023 Total £m	31 December 2022 Wholly-owned £m	31 December 2022 Share of fund/JV £m	31 December 2022 Total £m
Rental properties[1]	**3,728**	**1,782**	**5,510**	3,624	1,773	5,397
Rental properties (leased)	**85**	**–**	**85**	90	–	90
Properties under development	**175**	**–**	**175**	203	–	203
Total property	**3,988**	**1,782**	**5,770**	3,917	1,773	5,690
Net debt	**(1,030)**	**(541)**	**(1,571)**	(1,210)	(524)	(1,734)
Lease liability	**(84)**	**–**	**(84)**	(90)	–	(90)
Other assets/(liabilities)	**(49)**	**(51)**	**(100)**	(95)	(56)	(151)
EPRA net tangible assets	**2,825**	**1,190**	**4,015**	**2,522**	**1,193**	**3,715**
IFRS NAV	**2848**	**1219**	**4,067**	**2,561**	**1,227**	**3,788**
LTV			**28%**			*31%*

1. Rental properties (owned) includes assets classified as held for sale in the IFRS balance sheet.

Total accounting return

Dividends paid of 33.5p (2022: 26.6p) were the key component of the 2.9% total accounting return delivered in the year (2022: 8.1%), offsetting the small decrease in EPRA NTA. Our adjusted EPS yield (measured against opening EPRA NTA) increased to 4.8% in the year (2022: 4.6%), reflecting the growth in recurring earnings.

We expect to deliver a total accounting return of 10-12% in 2024 before the impact of any property yield movements. This reflects our expectation of growing recurring earnings, continuing rental growth and delivery of our development and asset management pipeline.

Cash flow and net debt

The business generated £176 million of net cash in 2023 (2022: £134 million) and net debt reduced to £1,571 million (2022: £1,734 million). The key components of the movement in net debt were:

- Capital raise gross proceeds of £300 million.
- Operational cash flow of £178 million on a see-through basis.
- Total capital expenditure of £152 million.
- Dividends paid of £117 million.
- A £46 million net outflow for other items.

In 2024, we expect see-through net debt to increase as planned capital expenditure on investment and development activity will exceed anticipated property disposals.

Debt financing and liquidity

During the year, borrowing rates for new debt remained high, as markets adjusted to higher inflation and tightening of monetary policy by central banks. Encouragingly, funding conditions have improved over recent months as markets anticipate the end of the tightening cycle for monetary policy. Lenders remain supportive of the student accommodation sector and the Group, providing access to new funding when required.

We are well protected from significant increases in borrowing costs through our well-laddered debt maturity profile and forward hedging of interest rates, but still expect to see our borrowing costs increase over time as we refinance in-place debt at higher prevailing market costs.

FINANCIAL REVIEW continued

We are focused on maintaining a strong and flexible balance sheet and will continue to use leverage to support our growth and enhance risk-adjusted returns. In response to a higher interest rate environment, we have reduced our medium-term target LTV to c.30% on a built-out basis (previously 30–35%). We remain committed to active portfolio management through capital recycling and will continue to target disposals of around £100–150 million p.a. (Unite share).

Key debt statistics (Unite share basis)	31 December 2023	31 December 2022
See-through net debt	**£1,571m**	£1,734m
LTV	**28%**	31%
Net debt:EBITDA ratio	**6.1**	7.3
Interest cover ratio	**4.6**	3.7
Average debt maturity	**3.8 years**	4.1 years
Average cost of debt	**3.2%**	3.4%
Proportion of investment debt at fixed rate	**100%**	97%

LTV reduced to 28% at 31 December 2023 (31 December 2022: 31%), primarily driven by our £300 million capital raise offsetting capital expenditure on our development pipeline and investment portfolio.

We continue to monitor our interest cover and net debt to EBITDA ratios. In 2023, interest cover improved to 4.6x (2022: 3.7x) and net debt to EBITDA reduced to 6.1x (2022: 7.3x), reflecting both the improved operational performance of the business and the impact of lower leverage. We aim to maintain an ICR ratio of 3.5–4.0x and a net debt to EBITDA ratio to 6–7x.

Following our capital raise, the Unite Group credit rating was upgraded to Baa1 (from Baa2) by Moody's and our BBB rating was moved to a positive outlook by Standard & Poor's, reflecting our lower leverage targets, robust capital position, cash flows and track record.

Funding activity

As at 31 December 2023, the wholly-owned Group had £579 million of cash and debt headroom (31 December 2022: £397 million), comprising of £29 million of drawn cash balances and £550 million of undrawn debt (2022: £29 million and £368 million respectively).

During the year, the Group extended the maturity on £450 million of its sustainability-linked revolving credit facility to March 2027, with the remaining £150 million due to mature in March 2026. In February 2024 we increased our revolving debt capacity by £150 million to a total of £750 million and added a further £150 million term loan. Both new facilities are on similar terms to our existing RCF and mature in 2027. The new loans increase investment capacity and provide flexibility to capitalise on growth opportunities.

We are progressing several funding options to refinance the £300 million Liberty Living bond, which matures in November 2024, including via debt capital markets and bank lending. The refinancing is fully pre-hedged and subject to market conditions we expect an all-in interest rate of around 4.5% on the replacement facility.

In January 2023, LSAV repaid the £100 million term loan from Legal & General as it matured using available cash in LSAV.

During the year, USAF entered into a new £400 million loan for a term of seven years with Legal & General, using the proceeds to pay down the bond maturing in June 2023. USAF has also agreed terms for a new £150 million secured loan to refinance its existing £150 million revolving credit facility.

Interest rate hedging arrangements and cost of debt

Our average cost of debt decreased to 3.2% (31 December 2022: 3.4%) following repayment of more expensive revolving debt after the capital raise. At the year end, 100% of the Group's debt was subject to fixed or capped interest rates (31 December 2022: 97%), providing protection against future changes in interest rates. Based on our hedging position, forecast drawings, planned refinancing and market interest rates, we currently expect an average cost of debt of 3.6% for FY2024 and 4.3% for FY2025. Reflecting an increased level of development activity, we expect a corresponding increase in capitalised interest in 2024 to around £15 million (2023: £8 million).

Our average debt maturity is 3.8 years (31 December 2022: 4.1 years) and we will continue to proactively manage our debt maturity profile and diversify our lending base. In addition, the Group has £300 million of forward starting interest rate swaps at rates meaningfully below prevailing market levels with a weighted average maturity of 7.7 years.

Financial Performance continued

Dividend

We are proposing a final dividend payment of 23.6p per share (2022: 21.7p), making 35.4p for the full year (2022: 32.7p) and representing a 8% increase compared to 2022. This represents a payout ratio of 80% of adjusted EPS. The final dividend will be fully paid as a Property Income Distribution (PID) of 23.6p, which we expect to fully satisfy our PID requirement for the 2023 financial year.

Subject to approval at Unite Student's Annual General Meeting on 16 May 2024, the dividend will be paid in either cash or new ordinary shares (a 'scrip dividend alternative') on 24 May 2024 to shareholders on the register at close of business on 19 April 2024. The last date for receipt of scrip elections will be 2 May 2024.

During 2023, scrip elections were received for 25.0% and 1.2% of shares in issue for the 2022 final dividend and 2023 interim dividend respectively. Further details of the scrip scheme, the terms and conditions and the process for election to the scrip scheme are available on the Company's website.

The Directors intend to propose an 'Enhanced Scrip Dividend alternative' at the 2024 Annual General Meeting. In offering the enhanced scrip dividend, the Directors' aim to encourage greater participation in the scrip scheme, and to retain additional capital in the business for investment in asset management and new development. The enhanced scheme would allow the scrip reference price to be set at a discount of up to 5% to the prevailing share price. If the shares are trading below 31 December 2023 NTA of 920p, the scrip will not be enhanced (i.e. 0% discount). The Company will engage with shareholders to gather feedback on the proposal and further detail will be provided in the notice of AGM.

We plan to distribute 80% of adjusted EPS as dividends for the 2024 financial year.

Tax and REIT status

The Group holds REIT status and is exempt from tax on its property business. During the year, we recognised a corporation tax charge of £1.2 million (2022: £0.7 million charge).

FINANCIAL REVIEW continued

Funds and joint ventures

The table below summarises the key financials at 31 December 2023 for our co-investment vehicles.

	Property assets £m	Net debt £m	Other liabilities £m	Net assets £m	Unite share of NTA £m	Total return	Maturity	Unite share
USAF	2,941	(800)	(80)	2,061	580	5.1%	Infinite	28%
LSAV	1,910	(631)	(60)	1,219	610	(1.9)%	2032	50%

Property valuations increased by 3.6% for USAF and were unchanged in LSAV over the year, on a like-for-like basis, reflecting positive rental growth offset by the negative impact of rising property yields.

During the year, a £20 million (Unite share: £10 million) payment from LSAV to the wholly-owned Group crystallised due to the increase in value of a London asset sold to LSAV in 2021 which achieved a performance target agreed at the time of sale.

USAF is a high-quality, large-scale portfolio of 28,000 beds in leading university cities. The fund has positive future prospects through rental growth and investment opportunities in asset management initiatives in its existing portfolio. USAF, in line with other non-listed property funds, has received redemption requests which will be met from planned and future disposals to provide liquidity to its unit holders.

Fees

During the year, the Group recognised net fees of £16.9 million from its fund and asset management activities (2022: £17.4 million). The decrease in fee income is due to the full-year impact of the Group's increased USAF ownership, following the purchase of additional units in mid-2022.

	2023 £m	2022 £m
USAF asset management fee	12.1	12.6
LSAV asset and property management fee	4.8	4.8
Total fees	**16.9**	**17.4**

Morriss House, Nottingham