



## Unite – Investor Presentation

### **Proposed placing and acquisition of Liberty Living**

July 2019

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## TRANSACTION OVERVIEW

- **Acquisition of Liberty Living's 24,021 bed portfolio for c.£1.4bn in a NAV-for-NAV deal from Canada Pension Plan Investment Board (CPPIB)**
  - Financed through a combination of cash and shares
  - CPPIB to become a 20% shareholder in Unite
- **A transformative acquisition leveraging Unite's scalable and best-in-class platform**
  - Unite will operate a combined portfolio of approximately 73,000 beds
  - Liberty Living beds to be fully integrated into PRISM operating platform, delivering £15m of annual cost synergies from 2021
- **Operational enhancements to be delivered by combining best of both businesses**
  - Sustains medium-term rental growth prospects
- **Conservatively financed acquisition which accelerates Unite's earnings growth**
  - Materially earnings accretive from 2020 onwards and enhances earnings yield
  - Maintaining 35% LTV target with capacity for development run-rate of c.2,000 beds p.a.



# LEVERAGING UNITE'S BEST-IN-CLASS PLATFORM

- **Liberty Living complements Unite's existing portfolio**
  - Overlap in 14 cities – adds scale in strong markets including London, Manchester, Leeds and Birmingham
  - Alignment to two new Russell Group universities in Southampton and Cardiff
  
- **Fully integrated into Unite's highly scalable PRISM platform, delivering £15m p.a. run-rate cost synergies**
  - Low integration risk
  - Overheads account for 85% of target synergies
  - Opportunity to enhance Unite's EBIT margin target
  
- **CPPIB recognises the value of synergies and Unite's operating capability**

Geographical breakdown of combined portfolio<sup>1</sup>

City	Beds			% of GAV <sup>2</sup> Combined	Market share <sup>3</sup>
	Unite	Liberty Living	Combined		
London	9,406	1,506	10,912	32%	5%
Birmingham	4,508	1,572	6,080	7%	13%
Liverpool	3,015	2,369	5,384	5%	14%
Manchester	2,336	2,681	5,017	10%	10%
Leeds	3,457	1,177	4,634	4%	10%
Sheffield	3,999	499	4,498	5%	10%
Newcastle	1,559	2,205	3,764	4%	10%
Bristol	3,494	263	3,757	5%	10%
Cardiff <sup>2</sup>	0	3,480	3,480	1%	11%
Leicester	1,687	1,564	3,251	3%	10%
<b>Top 10</b>	<b>33,461</b>	<b>17,316</b>	<b>50,777</b>	<b>76%</b>	<b>9%</b>
<b>Total</b>	<b>48,815</b>	<b>24,021</b>	<b>72,836</b>	<b>100%</b>	<b>8%</b>

1. As at 31 March 2019. Prior to any disposals. Unite includes all beds managed on behalf of USAF and LSAV and leased properties

2. Unite share of GAV

3. Calculation based on combined beds as a percentage of full-time students seeking accommodation for the 2017/18 academic year (HESA)

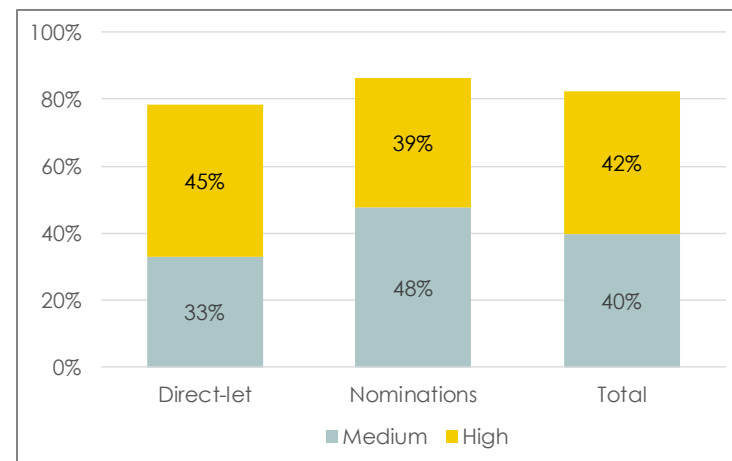
# LIBERTY LIVING IS A HIGH-QUALITY PORTFOLIO

- **Liberty Living is aligned with Unite’s focus on quality and visibility of income**
  - 82% aligned to high and mid-ranked universities<sup>1</sup>
  - 51% nominations with a 6-year WAULT
- **Average occupancy of 99% over past three years<sup>2</sup>**
- **85% reserved for 2019/20<sup>3</sup>, supportive of 3.0-3.5% rental growth for the combined group**
- **Opportunity to further enhance quality**
  - Nominations, asset management and disposals
- **Broad product range including lower price points**
  - c.5% below Unite in overlapping provincial markets
  - c.90% cluster flats
- **Portfolio GAV of £2.2bn (valued at 5.3% NOI yield)<sup>3</sup>**

Beds under nomination agreements (2018/19)<sup>4</sup>

Length	Unite	Liberty Living	Combined
Single year	7,543	4,343	11,886
2-10 years	13,437	5,778	19,215
11-20 years	4,026	1,425	5,451
20+ years	4,099	727	4,826
<b>Total</b>	<b>29,105</b>	<b>12,273</b>	<b>41,378</b>
<b>% Group</b>	<b>60%</b>	<b>51%</b>	<b>57%</b>

University alignment by tariff group (2018/19)<sup>1</sup>



1. Calculated as the number of beds aligned to high and mid-ranked universities as a percentage of total beds aligned to universities ranked in the 2019 Times university rankings

2. For the three years ended 31 August 2018

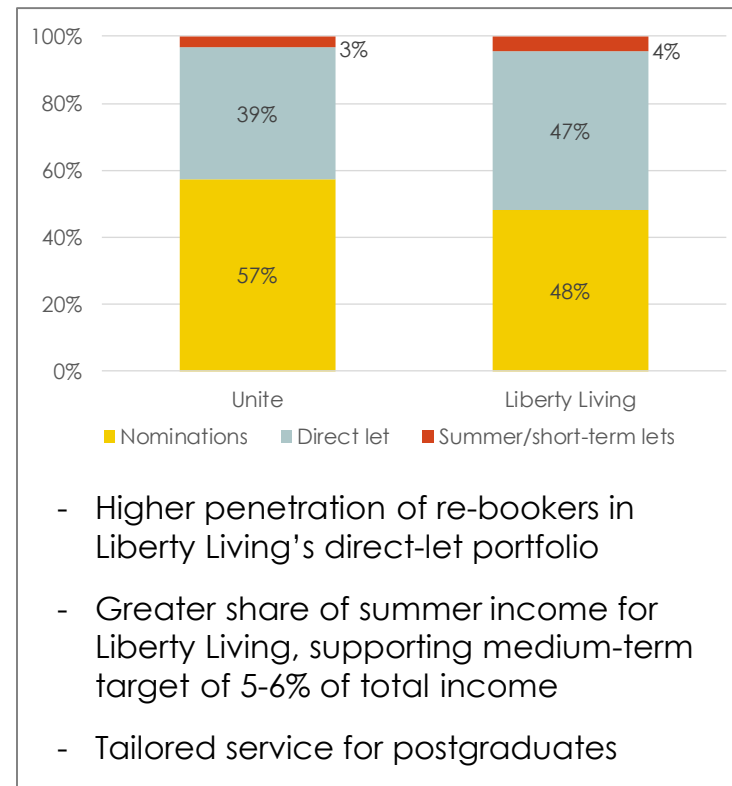
3. As at 31 May 2019

4. Prior to any disposals. Unite includes all beds managed on behalf of USAF and LSAV and leased properties

# LEVERAGING THE BEST OF BOTH

- **Integration phase will leverage best practices from Liberty Living operations**
  - Strong local operations capability and university relationships
- **Opportunities to further strengthen our product and service offer**
  - Increased ability to tailor our customer offer
    - Growth in re-bookers, postgraduates and summer income
  - Enhancing talent and skills pool through combination of Unite and Liberty Living staff
  - Creates opportunities for further University Partnerships
  - Further operational and procurement savings
- **Enhancing the service and welfare offer to students**
  - Roll-out of Home for Success customer proposition
  - Access to My Unite app and welfare services

Income breakdown by type<sup>1,2,3</sup>



Note: Figures may not sum to 100% due to rounding

- Higher penetration of re-bookers in Liberty Living's direct-let portfolio
- Greater share of summer income for Liberty Living, supporting medium-term target of 5-6% of total income
- Tailored service for postgraduates

1. Unite based on 2018 data using breakdown of nominations and direct-Let customers for 2018/19

2. Liberty Living income split based on Knight Frank valuation as at 31 May 2019

3. Nominations category also includes commercial income for Unite and Liberty Living (c.1% for both)

# TRANSACTION STRUCTURE

- **Unite to acquire Liberty Living portfolio on a NAV-for-NAV basis in a class 1 transaction**
- **Total consideration of c.£1.4bn (EV of c.£2.2bn)<sup>1</sup> financed through cash (c.£0.8bn) and shares (c.£0.6bn)**
  - c.73m new shares issued to CPPIB, representing c.20% of the enlarged group at an issue price of 827p, being Unite's EPRA NAV as at 31 March 2019<sup>2</sup>
  - Proceeds of a 9.99% placing
  - USAF acquiring Liberty Living's Cardiff assets
  - Existing financing facilities and cash resources
- **Relationship agreement with CPPIB**
  - Entitlement to one NED Board appointment
  - 12 month lock-up provisions
- **Completion of the acquisition is conditional upon Unite shareholder approval and CMA clearance**
  - CMA will be notified – pre-notification is underway
  - Clearance anticipated in Q3 2019

## Funding sources and uses

Sources	£m
Shares issued to CPPIB	580
9.99% share placing (net proceeds)	240
USAF acquisition of Cardiff properties	250
Existing debt facilities and cash resources <sup>3</sup>	310
<b>Total sources</b>	<b>1,380</b>
Uses	
Adj. Liberty Living NAV <sup>1</sup>	1,110
Cardiff NAV <sup>1</sup>	250
Other transaction considerations	20
<b>Total uses</b>	<b>1,380</b>

1. Based on Liberty Living balance sheet as at 31 March 2019

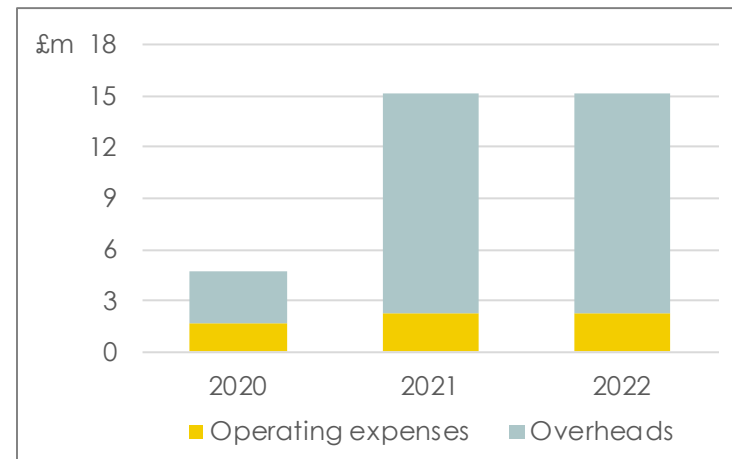
2. After adjustments for development pipeline credit, deferred tax and mark-to-market of debt and financial derivatives

3. Reflects Liberty Living's entitlement to a purchase price adjustment commensurate to the 2018 final dividend paid in May 2019 and 2019 interim dividend

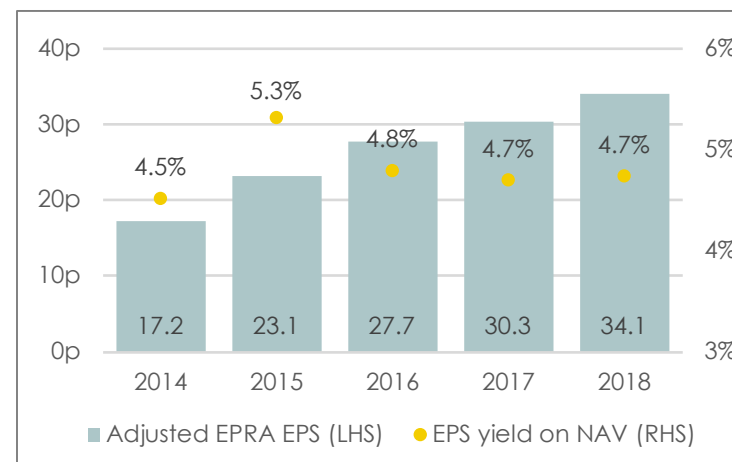
# ACQUISITION ACCELERATES UNITE'S EARNINGS OUTLOOK

- **Materially accretive to earnings from 2020**
  - Accelerates and extends earnings growth
  - 85% dividend pay-out ratio for enlarged group
- **Annual cost synergies of £15m from 2021**
  - Operating and overhead savings through removal of duplicate costs and leveraging existing city teams
  - Equivalent to c.25% of Liberty Living's current cost base (c.30% including planned disposals)
  - One-off cost to implement of c.£6m
- **Opportunity to further enhance earnings and EBIT margin target**
  - Procurement savings and asset management initiatives provide upside potential
- **Increases the income component of total returns and is broadly NAV per share neutral**
  - Targeting to deliver low double-digit total returns<sup>1</sup>
  - Targeting to deliver an EPS yield of c.6% in 2021<sup>2</sup>

Expected synergy realisation



Unite EPRA EPS and EPS yield



1. Total return defined as growth in EPRA NAV plus dividends paid dividend by opening EPRA NAV for a given year  
 2. Illustrative EPS yield defined as EPRA EPS divided by opening EPRA NAV per share for 2021



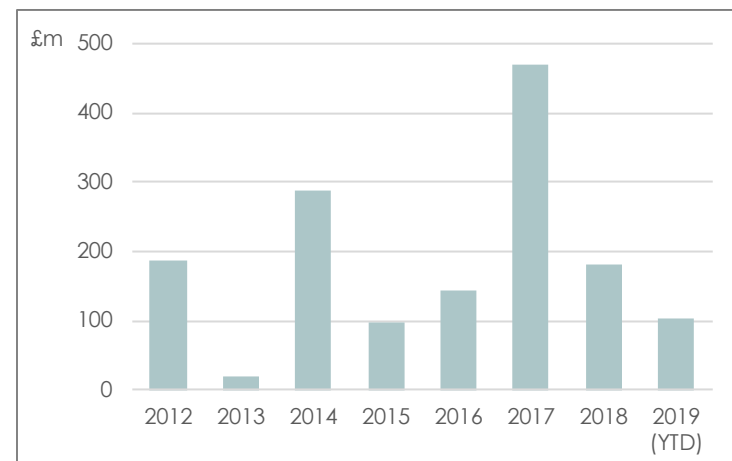
# CONTINUED FINANCIAL DISCIPLINE

- **Conservatively funded acquisition, maintaining investment and development capacity**
  - Day 1 LTV of c.40%
  - Target LTV of 35% post-disposals
  - Maintain c.2,000 bed p.a. development run-rate
- **Combined group disposal plan (next three years)**
  - £150-200m p.a. in line with historical levels
  - £250m USAF fundraising in May 2019 underlines investor appetite
  - c.£900m traded YTD in UK PBSA
- **Transaction reduces average cost of debt to 3.5%**
  - Positive engagement with Rating Agencies

Illustrative capital structure (Unite share)

	Unite (Mar-2019)	Liberty Living (Mar-2019) <sup>2</sup>	Day 1 post- acquisition <sup>3</sup>
GAV (£m) <sup>1</sup>	3,060	1,992	4,915
Net debt (£m) <sup>1</sup>	887	814	1,907
EPRA NAV (£m)	2,160	1,112	2,947
LTV <sup>1</sup>	29%	37%	39%
Cost of debt	3.8%	2.9%	3.5%

Unite disposal activity (total share)



1. GAV, net debt and LTV figures exclude lease asset and corresponding lease liability recognised in respect of leased properties under IFRS 16

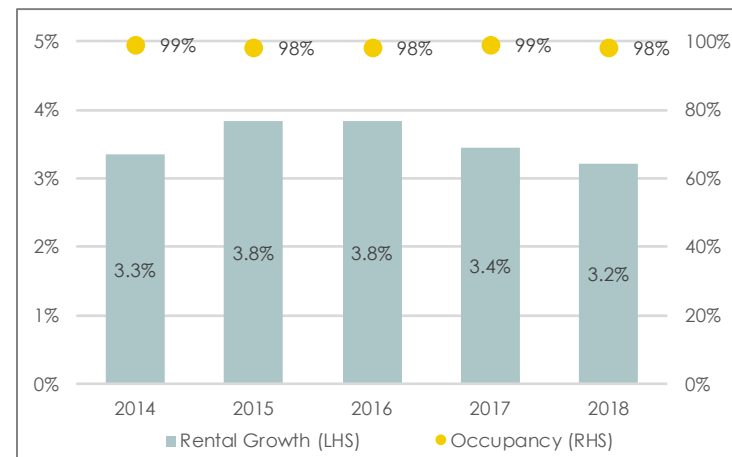
2. Unite share reflects wholly owned assets and liabilities to be acquired with Liberty Living plus Unite's 23% share of Cardiff assets to be acquired by USAF

3. Combined column reflects Unite and Liberty Living balance sheets as at 31 March 2019 plus additional net debt to fund acquisition and expenses, dilution to Unite's USAF stake from 25% to 23% following drawdown of the £250m USAF fundraise, £105m of disposals to USAF announced in May and write-off of Liberty Living goodwill

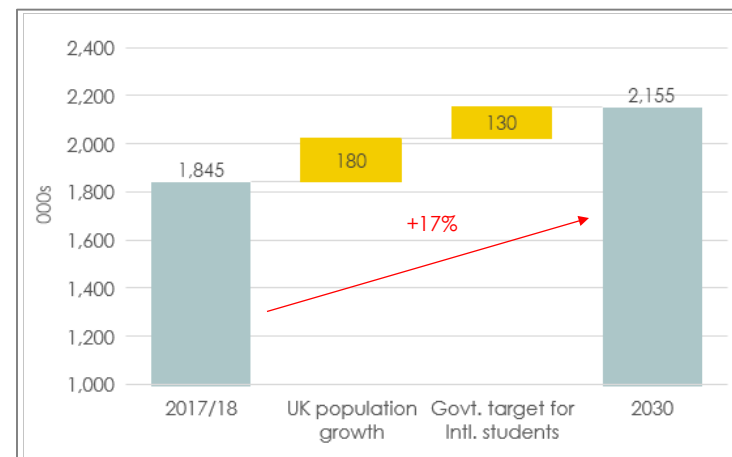
# UNITE CURRENT TRADING AND OUTLOOK

- **H1 trading in line with management's expectations and outlook positive**
  - 88% reserved for 2019/20 (2018/19: 87%)
  - Confident in rental growth outlook of 3.0-3.5%
- **Ongoing progress with developments and disposals**
  - 2019 deliveries on time and on budget with c.70% underpinned by nominations
  - Middlesex Street planning secured<sup>1</sup>
  - One London site and three regional sites under offer
  - Sale of £105m of assets to USAF (Unite share: £81m)<sup>2</sup>
- **Valuations remain well supported**
  - 1.4% Q1 revaluation uplift, driven primarily by rental growth
- **Augar Review recommends a reduction of tuition fees to £7,500 p.a.**
  - Proposals supportive of student demand
  - Earliest implementation in 2021/22 academic year

Unite occupancy and rental growth



Illustrative growth in full-time student numbers



Source: UCAS, HESA, ONS, UK Government, Unite  
 UK student growth based on population forecasts for 18-25 year olds in 2030 multiplied by 2018/19 acceptance rates. International growth reflects UK Government target for 600,000 international students by 2030

1. Subject to GLA approval  
 2. Unite share calculated using 23% USAF stake post £250m fundraise

- **Transformative acquisition of a high-quality and complementary portfolio**
- **Leverages our operating platform to generate significant synergies**
- **Enhancements through combining the best of both businesses**
- **Confident in medium-term rental growth outlook of 3.0-3.5%**
- **Accelerates and extends earnings growth – materially EPS enhancing from 2020**
- **Conservatively financed acquisition maintaining 35% LTV target**



- **3 July**                    **Announcement of the proposed acquisition and placing (ABB)**
- **3 July**                    **Shareholder circular published (post closing of ABB)**
- **23 July**                    **Unite General Meeting**
- **23 July**                    **Unite interim results**
- **Q3 2019**                    **End of CMA Phase 1 review**
- **End Q3 2019**                **Anticipated CMA clearance**
- **End Q3 2019**                **Target completion, publication of prospectus and admission of CPPIB consideration shares**



- **Structure:** Accelerated Bookbuild
- **Rationale:** Proceeds used to part fund cash component of acquisition. In the event the acquisition does not complete then net proceeds will be retained by Unite for alternative acquisitions or development opportunities
- **Size of Issue:** Up to 9.99% of the issued share capital
- **Proceeds:** Expected net placing proceeds of c.£240m<sup>1</sup>
- **Pricing:** To be determined by bookbuild
- **Dividend:** Placing shares eligible for interim dividend
- **Expected timetable:**  
Announcement: 3 July  
Books close, pricing and allocation: 3 July  
Settlement and admission: 5 July
- **Joint Bookrunners:** J.P. Morgan Cazenove and Numis

1. Estimated net placing proceeds after deal costs



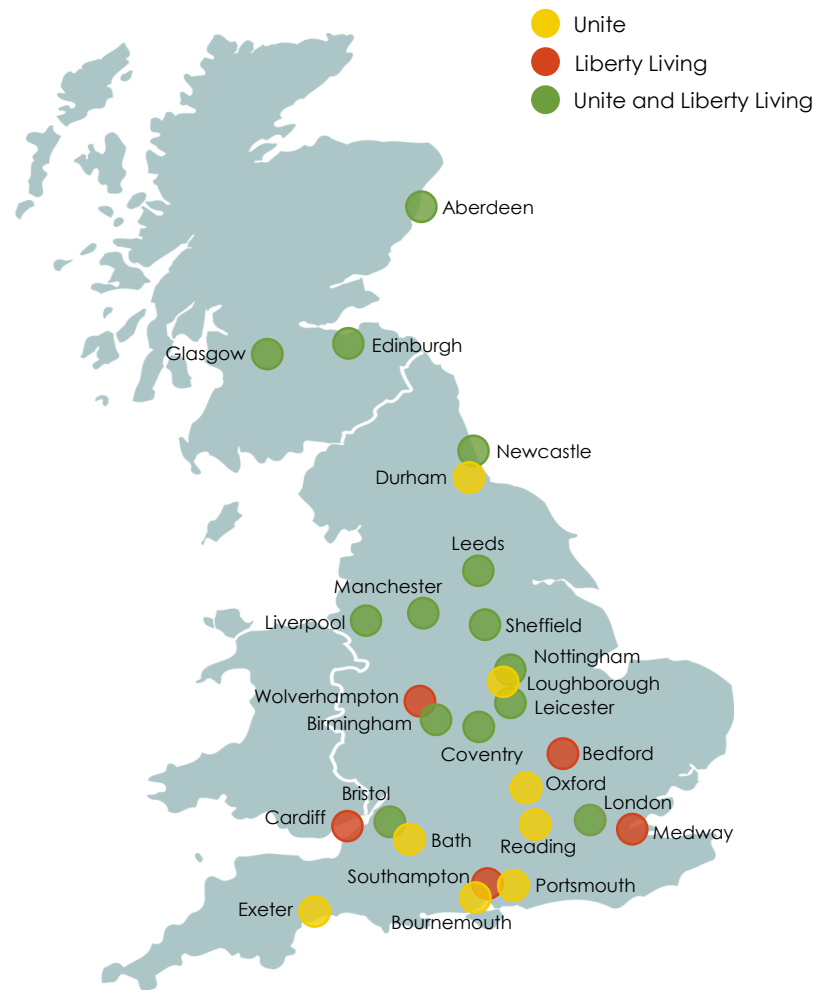
# LIBERTY LIVING OVERVIEW

Liberty Living portfolio as at 31 May 2019

	Properties	Beds
Cardiff <sup>1</sup>	8	3,480
Manchester	5	2,681
Liverpool	4	2,369
Newcastle	4	2,205
Birmingham	4	1,572
Leicester	2	1,564
London	5	1,506
Southampton	2	1,233
Leeds	2	1,177
Medway	1	1,106
Coventry	2	817
Wolverhampton	1	657
Glasgow	2	646
Aberdeen	4	599
Nottingham	1	598
Edinburgh	1	532
Bedford	1	517
Sheffield	1	499
Bristol	1	263
<b>Total</b>	<b>51</b>	<b>24,021</b>

Source: Liberty Living

Combined portfolio of 72,836 beds in 173 properties across the UK



1. Liberty Living's Cardiff properties are to be acquired by USAF and managed by Unite, conditional on completion  
 2. The Liberty Living portfolio also includes a commercial building in Wyvil Court, London with development potential

# COMBINED GROUP – KEY METRICS

	Unite	Liberty Living <sup>2</sup>	Day 1 post-acquisition <sup>3</sup>
GAV (£bn, Unite share) <sup>1</sup>	3,060	1,992	4,915
NOI yield	5.0%	5.3%	5.1%
NOI margin (FY2018)	75%	71%	n/a
EBIT margin (FY2018)	71%	59%	n/a
Cost of debt	3.8%	2.9%	3.5%

Source: Unite (as at March 2019), Liberty Living (as at March 2019) unless otherwise stated

1. GAV excludes lease asset recognised in respect of leased properties under IFRS 16

2. Unite share reflects wholly owned assets to be acquired with Liberty Living plus Unite's 23% share of Cardiff assets to be acquired by USAF

3. Combined column reflects Unite and Liberty Living balance sheets as at 31 March 2019 plus additional net debt to fund acquisition and expenses, dilution to Unite's USAF stake from 25% to 23% following drawdown of the £250m USAF fundraise, £105m of disposals to USAF announced in May and write-off of Liberty Living goodwill



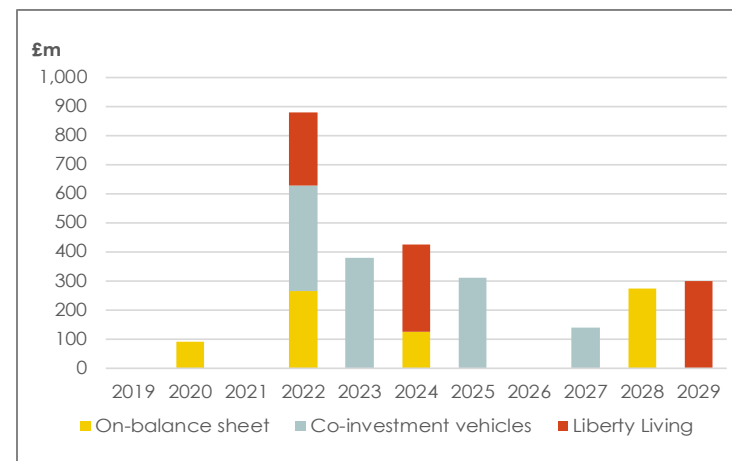
# CONTINUED BALANCE SHEET DISCIPLINE

- **Unite will assume c.£850m of Liberty Living debt facilities at an average cost of 2.9%**
  - £300m 2024 bond
  - £300m 2029 bond
  - £250m 2022 term loan
- **Undrawn committed debt of c.£350-400m post-acquisition and before disposals**
- **Well diversified across lenders and maturities**
  - Limited maturities before 2022
- **Blended cost of debt reduces to 3.5%**
- **Leverage targets maintained**
  - Disposal plan to maintain discipline
  - Target LTV of 35% post-disposals

Key debt statistics (Unite share)

	Unite (Mar-2019)	Liberty Living (Mar-2019)	Day 1 post-acquisition <sup>2</sup>
Net debt <sup>1</sup>	£887m	£814m	£1,907m
LTV <sup>1</sup>	29%	37%	39%
Cost of debt	3.8%	2.9%	3.5%
Average debt maturity	5.4 yrs	6.6 yrs	5.8 yrs
Proportion investment debt at a fixed rate	99%	100%	93%

Debt maturity profile for combined group (drawn debt)



1. Net debt and LTV figures exclude lease asset and corresponding lease liability recognised in respect of leased properties under IFRS 16

2. Combined column reflects Unite and Liberty Living balance sheets as at 31 March 2019 plus additional net debt to fund acquisition and expenses, dilution to Unite's USAF stake from 25% to 23% following drawdown of the £250m USAF fundraise, £105m of disposals to USAF announced in May and write-off of Liberty Living goodwill

# UNITE DEVELOPMENT AND PARTNERSHIP PIPELINE

- **Secured pipeline of 6,532 beds to deliver by 2022**
  - c.70% nominations on 2019 openings
  - Middlesex Street planning approval secured<sup>2</sup>
- **New development and University Partnerships opportunities emerging**
  - One further London site and three regional sites under offer
  - Acquiring c.400 bed London development site as part of Liberty Living
  - Unite increasingly viewed as a strategic partner for accommodation needs
  - Pipeline of 10 active discussions for new University Partnerships
- **Capacity to maintain development run-rate of c.2,000 beds p.a.**

	Target delivery	Secured beds	Total completed value (£m)	Total development costs (£m)	Forecast yield on cost
<b>Wholly owned</b>					
Skelhome Street, Liverpool	2019	1,085	95	74	8.0%
Tower North, Leeds	2020	928	104	81	8.0%
First Way, London	2020	678	122	102	6.0%
New Wakefield Street, Manchester	2020	603	81	56	8.2%
<b>Total wholly owned</b>		<b>3,294</b>	<b>402</b>	<b>313</b>	<b>7.6%</b>
<b>University partnerships</b>					
Cowley Barracks, Oxford	2019	887	98	73	6.5%
Old BRI, Bristol <sup>1</sup>	2021	370	52	39	6.2%
Middlesex Street, London <sup>2</sup>	2021	913	247	181	6.1%
Temple Quay, Bristol <sup>1</sup>	2022	650	95	77	6.2%
<b>Total University partnerships</b>		<b>2,820</b>	<b>492</b>	<b>371</b>	<b>6.2%</b>
<b>USAF – forward funds</b>					
Battery Park, Birmingham	2019	418	43	38	6.3%
<b>Total USAF</b>		<b>418</b>	<b>43</b>	<b>38</b>	<b>6.3%</b>
<b>Unite share of USAF</b>		<b>418</b>	<b>11</b>	<b>10</b>	<b>6.3%</b>
<b>Total pipeline (Unite share)</b>		<b>6,532</b>	<b>906</b>	<b>694</b>	<b>6.9%</b>

1. Subject to obtaining planning consent  
2. Subject to GLA approval