
UPP Bond 1 Issuer Plc Results Presentation for year ended 31 August 2016



Investor Call 1100hrs 13 December 2016

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Agenda

1. Highlights of the year ended 31 August 2016
2. UPP Group
3. Consolidated AssetCo Performance 2015/16
4. Update on the Higher Education Sector
5. Forecast Performance 2016/17
6. Other Matters
7. Summary

1. Highlights of the year ended 31 August 2016

Sean O'Shea (Chief Executive Officer)

Business Highlights



- Turnover £61.3m an increase of 3.5%, reflecting RPI linked annual term rental income increases
- Occupancy for 2015/16 of 99.9% (2014/15: 99.7%)
- Operating cash flow for 2015/16 of £35.5m (2015: £32.3m)
- Both Historic and Projected Annual Debt Service Coverage Ratios comfortably above lock up triggers post year end
- Strong demand has continued into 2016/17 with occupancy of 99.6% as at date of publication with six of the seven AssetCos achieving 100% occupancy
- Term rental income predicted to increase by 2.1% compared to 2016

Sean O'Shea, Chief Executive Officer

“Once again I am delighted to report the continued robust performance of UPP Bond 1 Holdings Limited for the financial year ended 31 August 2016. The year saw an increase in turnover of 3.5% to £61.3m and as a result a growth in EBITDA to £39.7m. Particularly pleasing is the delivery of sector leading occupancy across the portfolio reaching 99.9% for the year, up from 99.7% in 2014/15. During a period of much greater global competition between universities for students, this performance underlines the strength of the UPP business model - the cornerstone of which is establishing long term partnerships with institutions best positioned for future success. It also highlights the continued popularity of the UK as a world leading destination for students.

We believe the introduction of the Higher Education and Research Bill during Q1 of 2017 will reinforce the market environment for UK universities to prosper, while they realise with ever greater clarity the need to provide the best residential and academic facilities to secure student demand at a time when capital market funding remains historically cost effective.”

2. Overview of UPP Group

Sean O'Shea (Chief Executive Officer)



UPP Group Overview



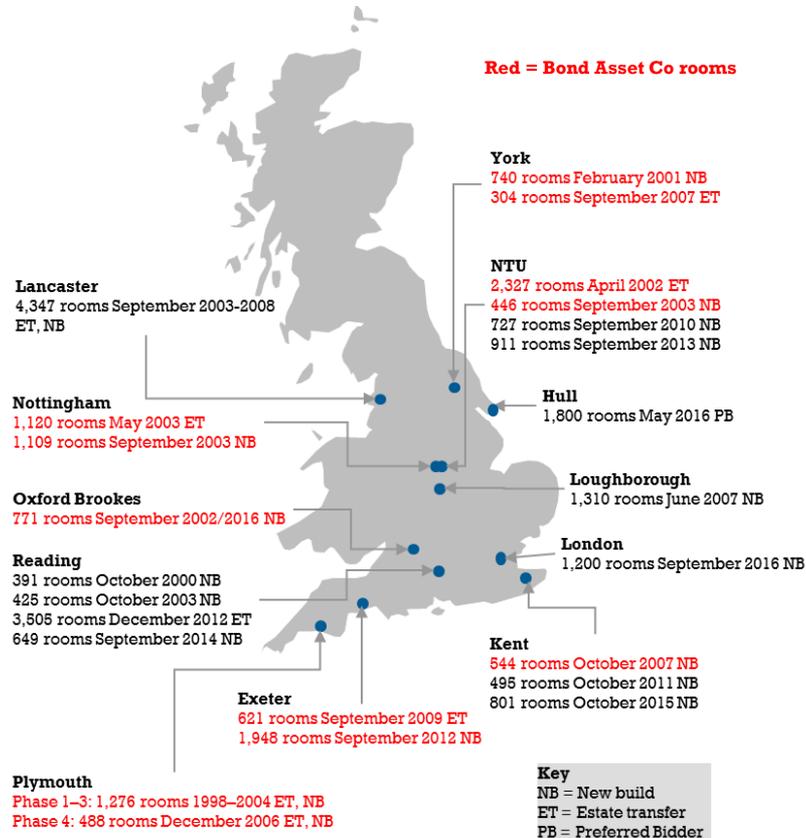
- UPP is the leading developer and operator of high quality on-campus residential accommodation and asset management services in partnership with the universities.
- Operating for nearly two decades, UPP has raised in excess of £2bn for our partner universities, helping them to provide a step change in the quality of their academic and research infrastructure.
- UPP delivers a fully integrated service to universities encompassing the funding, design, construction and long-term operation of student accommodation, creating valuable and stable infrastructure cash-flows.
- Demand risk is managed through a combination of a robust commercial architecture, specialist operational staff and detailed market intelligence.

UPP Group in figures

- Average occupancy of between 99-100% across the portfolio since inception.
- 30,000 rooms under management or in construction with 14 partner universities.
- In excess of 2,000 rooms at preferred bidder stage and a potential transaction pipeline of c.15,000 available over the next 18 months.



UPP Group Portfolio



Components of the Business Model

- Infrastructure located in heart of campus
- Long term, stable, RPI linked rental income with ability to pass-through costs, e.g. utilities, insurances and changes in law
- 30,000 rooms under operation, in excess of 7,000 rooms currently at preferred bidder.
- Further pipeline of c.15,000 rooms identified
- 1,494 rooms under asset management agreements with Imperial College, London and the University of Bath
- Insulation from property value volatility
- Significant student demand (>supply) and long term restrictive covenants on universities (e.g. minimum student/bed ratio) mitigates demand risk
- Robust marketing and allocation obligations on the partnering university
- Fixed price contracts for FM services
- Pass through of credit and void risk to university once license agreement signed
- Alignment of long-term commercial interests between university and UPP Group

UPP Group Strategy



Our Mission is a simple one;

“To create exceptional academic infrastructure and support services in partnership with great universities.”

The UPP Group strategy is based on long-term partnerships, supporting universities in improving the quality of their physical infrastructure and services to students. Our approach is research driven and selective recognising those institutions best placed for success in a global Higher Education market. In aligning the interests of universities, investors and UPP, our unique approach provides security in the delivery of revenues and in turn, expected returns.

Our strategy will:

- Grow the number of partnerships we have with selected universities
- Increase the number of student rooms under management
- Deepen the existing relationships we enjoy with our current partners
- Invest in our staff to ensure we deliver the best customer service
- Develop new and innovative ways of funding infrastructure projects
- Grow the value of existing income and identify new revenue streams
- Develop innovative solutions for the non-residential requirements of our partners
- Realise the economic benefits of ever more effective procurement

3. Consolidated AssetCo Performance 2015/16

Richard Bienfait (Chief Financial Officer)

Consolidated Asset Co performance 2015/16



£000's	Year ended 31 August 16	Year ended 31 August 15*	Change %	Previously reported 31 August 15**
Turnover	61,309	59,236	3.5%	55,673
Cost of sales	(18,718)	(18,395)	1.8%	(17,427)
Gross profit	42,591	40,841	4.3%	38,246
Gross profit margin	69.5%	68.9%		68.7%
Operating expenses	(2,939)	(2,386)	23.2%	(2,273)
EBITDA before sinking fund expenditure	39,652	38,455	3.1%	35,973
EBITDA margin	64.7%	64.9%		64.6%
Sinking fund expenditure	(3,799)	(2,721)	39.6%	(2,602)
EBITDA	35,854	35,734	0.3%	33,371

* Includes results for UPP (Exeter) Limited from 1 September 2014

** Previously reported last year including UPP (Exeter) Limited from 9 December 2014

- Occupancy of 99.9%
- Like for like turnover up 3.5%, primarily from RPI linked rents
- EBITDA for 2016 of £39.7m (2015: £38.5m)
- Sub-debt returns made of £10.25m
- No performance or unavailability deductions

Consolidated Asset Co performance 2015/16



£000's	Year ended 31 August 16	Year ended 31 August 15	Variance
Turnover	61,309	59,236	2,073
Cost of sales	(18,718)	(18,395)	(323)
Operating expenses ¹	(2,902)	(2,341)	(561)
EBITDA before sinking fund expenditure & Bond audit fees	39,689	38,500	1,189
CAFDS adjustment ²	(4,130)	(3,639)	(491)
CAFDS ³	35,559	34,861	698
Debt service	25,725	25,016	709
Ratio	1.38	1.39	

1. Operating expenses excludes sinking fund costs and UPP Bond I audit fees.
2. CAFDS adjustment: deduct sinking fund deposit and add interest income.
3. CAFDS: Cash available for debt service.

Consolidated Asset Co performance 2015/16



£000's	Alcuin	Broadgate	Kent	Nottingham	Oxford	Plymouth	Exeter	Bond	Total
EBITDA	4,474	7,221	2,255	7,564	3,144	5,617	9,411	-	39,689
CAFDS adjustment ¹	(588)	(738)	(24)	(990)	(143)	(612)	(998)	(37)	(4,130)
CAFDS ²	3,886	6,483	2,231	6,574	3,001	5,005	8,413	-	35,559
Debt service	2,823	4,695	1,602	4,961	2,166	3,676	5,802	-	25,725
2015/16 ratio	1.38	1.38	1.39	1.33	1.38	1.36	1.45	-	1.38
2014/15 ratio	1.36	1.32	1.34	1.37	1.40	1.40	1.51	-	1.39
Headroom over default	923	1,554	549	1,365	725	1,145	2,314	-	8,574

1. CAFDS adjustment: deduct sinking fund deposit, Bond audit fee, and add interest income.
2. CAFDS: Cash available for debt service.

4. Update on the Higher Education Sector

Jon Wakeford (Director of Strategy)

Long term demand and supply

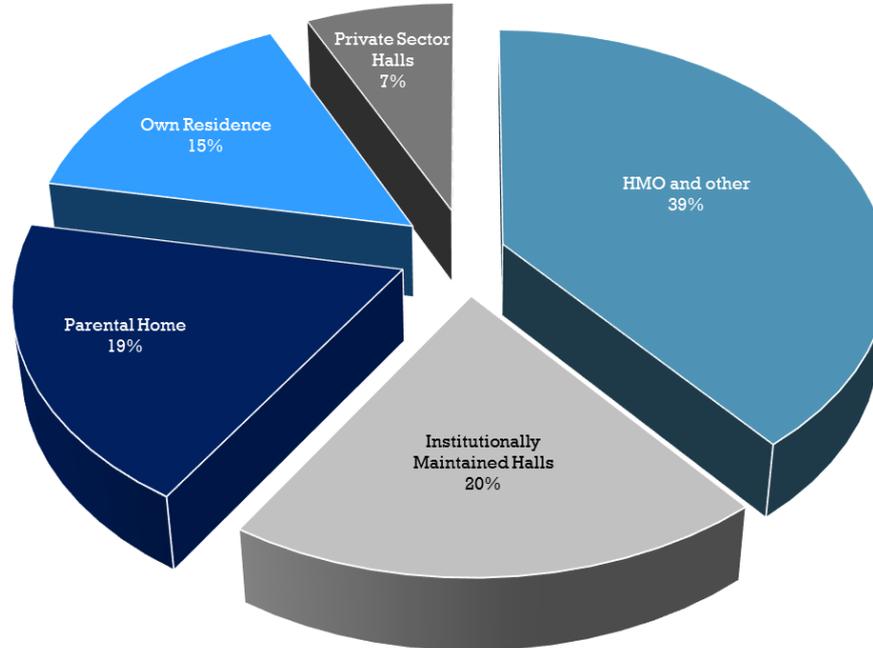
The long-term demand trends for purpose built residential accommodation remain essentially unchanged.

The latest data from the OECD identifies that globally in 2013 there were 137 million 25-34 year olds with a tertiary education; by 2030 this figure is projected to increase to 300 million.

The UK remains the top destination for HE outside the US. There are currently 32 UK institutions in the top 200 of The Times Higher Education World University Rankings for 2015/16 and 12 within the top 100.

Student residential demand continues to outstrip supply with approximately two-thirds of students having to rely on the private rented sector for accommodation or live at home.

Term Time Accommodation (Source: AUDE 2016)



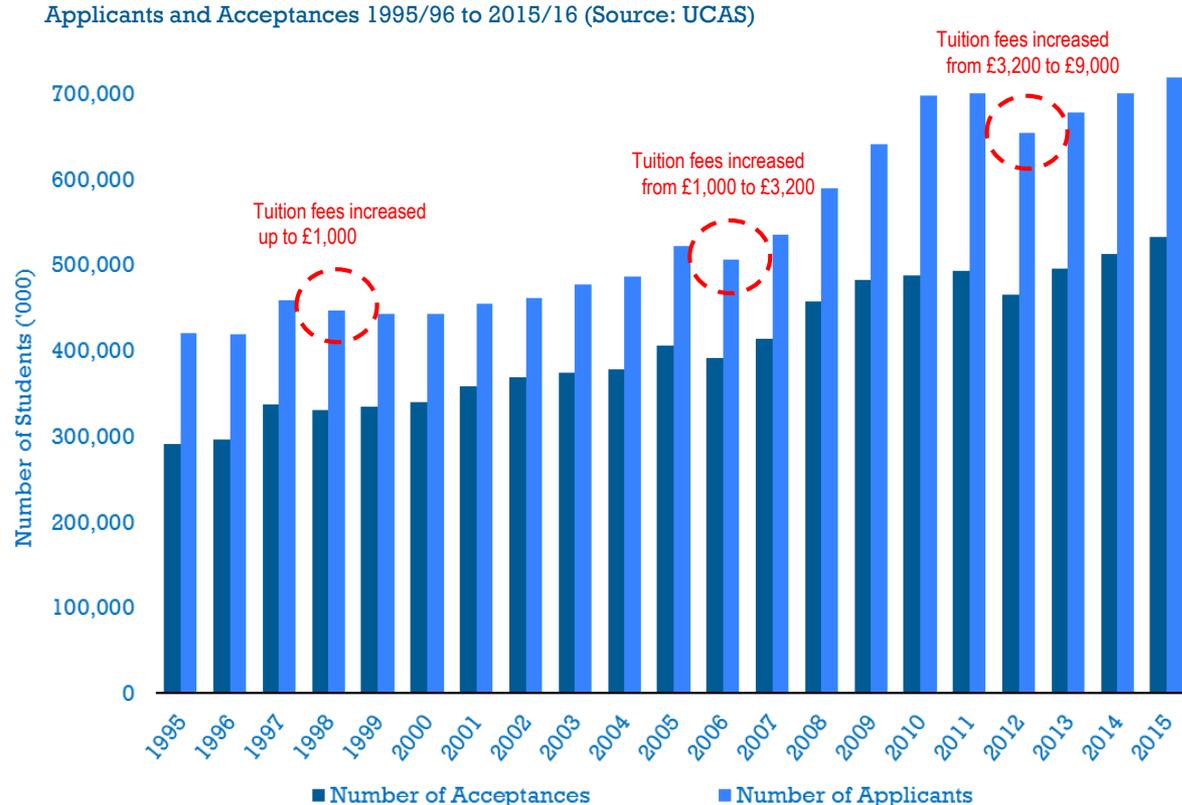
Anti-cyclical Demand Characteristics

UCAS longitudinal data underlines how the demand for higher skills has driven a growth in applicant during periods of relative prosperity and economic downturn.

Demand for UK Higher Education has continued to increase to date despite both a higher tuition fee cap and the effect a declining birth rate of 18-24 year olds.

The chart (right) identifies a pattern of continuing growth in applicant numbers and acceptances issued by institutions.

Since 2012/13 in particular the return to growth has continued with total main scheme applicant numbers increasing by 3.1% for 2013/14; 3.6% for 2014/15 and 2.1% for 2015/16.



Favourable Long Term Demand

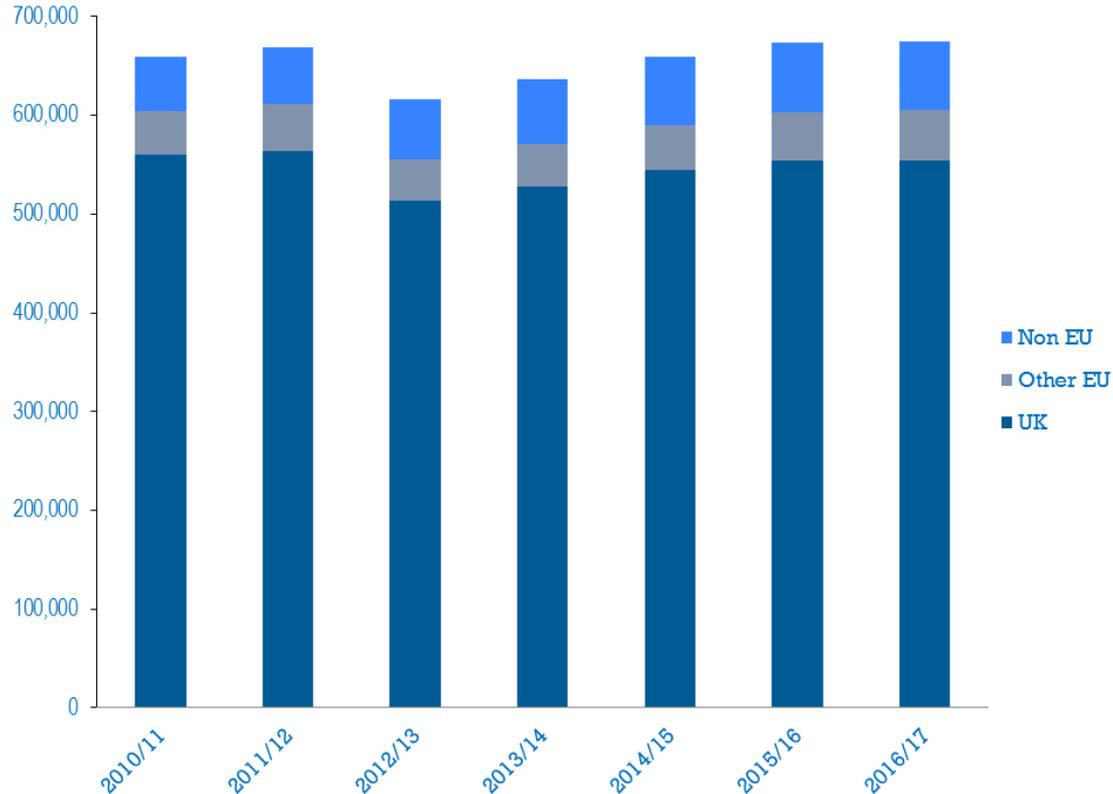
For 2016/17 main scheme data identifies;

- 674,890 people applied to full-time courses an increase of 1,850 applicants year on year.
- Total applicant numbers rose by less than 1% on the same point in the 2015/16 cycle
- Applicants from the EU were up 6% whilst those from outside of the EU were down by 2%

Longer term demand projections identify;

- Student numbers are expected to plateau and decline slightly in the short term (five years) increasing thereafter to 2035
- 92,000 additional full-time HE places from 368,000 to 460,000 to meet demand to 2035
- International student numbers studying in the UK projected to grow by 15-20% or between 45,000 and 60,000 additional full-time students.

Applicants by Domicile 30 June Deadline (Source: UCAS)



Growth Outperforming the Sector



Over the period 2000/01 to 2014/15 the potential demand pool for residential accommodation grew from 1.2m to nearly 1.7m.

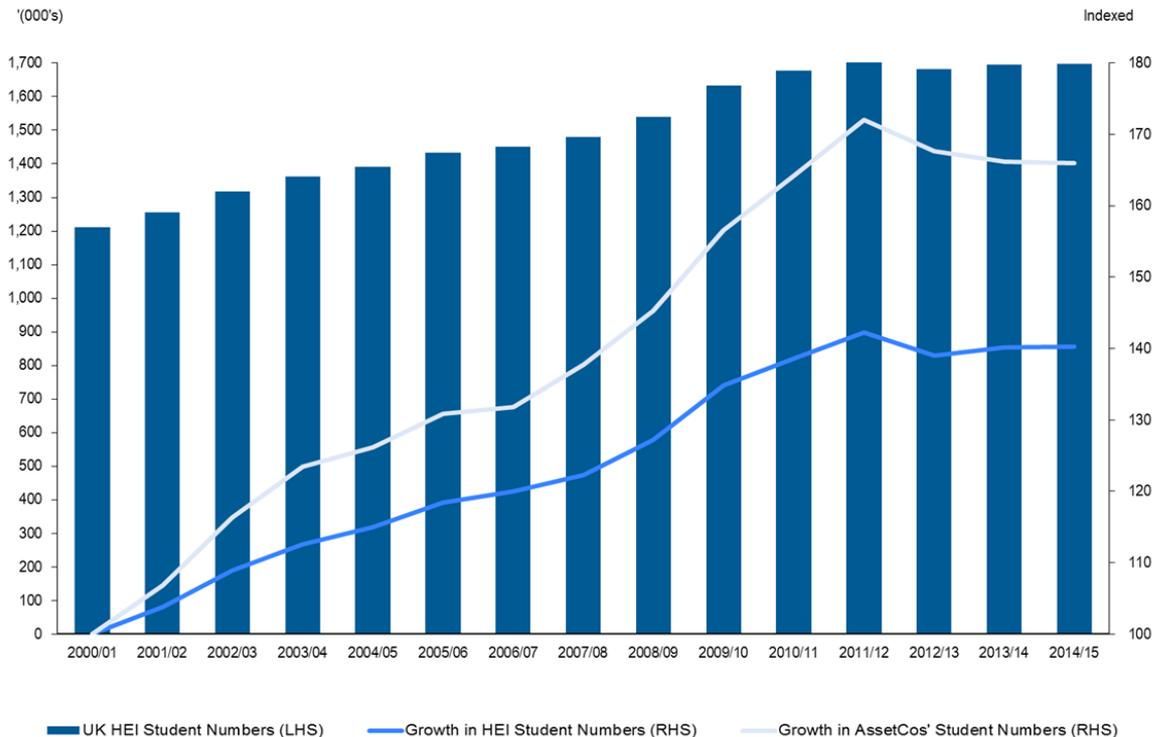
Full time enrolment across the sector has continued to grow at a CAGR of 2% over the last decade.

The increase in the fee cap (2012/13) has not dampened applicant demand or the level of acceptances which have both increased year on year.

With the Group's selective approach to partnering the UPP Bond 1 portfolio has outperformed average rates of growth across the sector.

The chart (right) identifies a CAGR of 3.7% for UPP Bond 1 institutions compared to 2.4% for the sector as whole.

Full-Time Student Numbers 2000/01 to 2014/15 (UPP Bond 1 v's HEI Sector Indexed) (Source: HESA)



Changes in UK Higher Education

BREXIT

- May potentially impact on the sentiment of EU students to study in the UK
- The current administration has committed to loan funding of current applicants and students
- EU students represent just one in twenty undergraduate students

Higher Education and Research Bill

- When the Bill becomes law during Q1 of 2017, HEFCE will be replaced by the Office for Students
- Will have the same regulatory and financial powers as HEFCE
- Enabling legislation for more private providers of HE to enter the system

Teaching Excellence Framework (TEF)

- Enabled by the Bill, TEF will provide new metrics upon which students will be able to judge universities
- Judged Gold, Silver or Bronze for teaching quality, it will dictate which institutions can raise tuition fees and potentially the level of international recruitment.

Visa Regulation

- International recruitment will continue to be closely monitored by the Home Office
- Whilst this may impact on numbers at some institutions it will also increase the certainty of matriculation
- Universities are likely to given greater responsibility for students recruited

5. Forecast Performance 2016/17

Richard Bienfait (Chief Financial Officer)

Forecast performance 2016/17



£000's	2016/17	2015/16 actual
Turnover	61,984	61,309
Projected costs	(26,252)	(25,759)
CAFDS	35,732	35,550
Debt service	26,328	25,725
Projected ratio	1.36	1.38

- Comfortably ahead of the Standard and Poors base case ratio of 1.27 for the same period
- Occupancy for the year currently standing at 99.6% with potential further sales of rooms to occur at Broadgate Park, the University of Nottingham.
- Rental income for 2016/17 is expected to be c.£62.2m, an underlying increase of 2.1%
- With the majority of AssetCo costs fixed for the remainder of the year, albeit with the significant exception of utility costs, the projected ADSCR outcome for the year is expected to be 1.36
- Comfortably within covenants

6. Other Matters

Richard Bienfait (Chief Financial Officer)

We reported in the previous year:

- A latent defect in the newly built accommodation was identified relating to the external panel detailing around the buildings. This doesn't affect the operations of the building and the properties remain fully occupied.
- UPP has been working with the contractor which built the accommodation to develop a programme of rectification works.
- It is UPP's intention to ensure our rights under the original construction contract are robustly applied.

Since our last update to bond holders on this matter:

- UPP have continued to work closely with Balfour Beatty and the university to develop a programme to rectify this defect which we expect will commence in summer 2017.
- We believe the liability to rectify the defect rest with contractor and therefore the directors of UPP (Exeter) Limited are content that these works will not impact on the cash generation of the Asset co.

7. Summary

Richard Bienfait (Chief Financial Officer)

Summary



- We are reporting a very healthy financial performance for 2015/16
- We believe we have a strong trading position for 2016/17
- UPP Bond Group portfolio currently 99.6% occupied for 2016/17
- Our business model provides an attractive, stable and predictable cash generation
- UPP's shareholders are long term investors to the sector and are highly supportive of the UPP model
- UPP continues to have a market leading position