UPP Bond 1 Issuer PLC
Results presentation for year ended 31 August 2015

December 2015

University Partnerships Programme

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University Partnerships Programme

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1 **Highlights of the year ended 31 August 2015**

2 UPP Group

3 Consolidated AssetCo Performance 2014/15

4 Update on the Higher Education Sector

5 Forecast Performance 2015/16

6 Summary

Highlights of the year ended 31 August 2015

- Turnover increased to £55.7m (£45.9m excluding Exeter) which is a 3.7% underlying increase on 2014
- Occupancy at 99.7%
- Operating cash flow of £32.3m (£26.6m excluding Exeter)
- Stable gross and EBITDA margins
- Performance in-line with model demonstrating the predictable nature of the business and its cash-flows
- Results comfortably within all initial and projected ratio covenants

Sean O'Shea, Chief Executive Officer;

> "We are pleased to report another strong performance with healthy increases in both turnover and EBITDA for the financial year ended 31 August 2015. Occupancy rates remain at sector leading levels illustrating the continued demand for high quality, affordable accommodation located on campus. The new £149.7 million tranche of index linked notes issued for UPP (Exeter) Limited in December 2014 further demonstrates the appetite for the secure and stable returns offered by the partnership approach of UPP in the capital markets.
>
> The UK remains one of the top destinations for higher education within an increasingly global market place, as evidenced by the highest ever number of applicants for the 2015/16 academic year. We expect the removal of the student number cap and more certainty with respect to the future direction of HE policy to impact positively on demand from students, as well as the number of large infrastructure transactions coming to market."

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1. Highlights of the year ended 31 August 2015
2. **UPP Group**
3. Consolidated AssetCo Performance 2014/15
4. Update on the Higher Education Sector
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UPP Group Overview

UPP is the leading developer and operator of quality residential accommodation and asset management services in partnership with the university sector

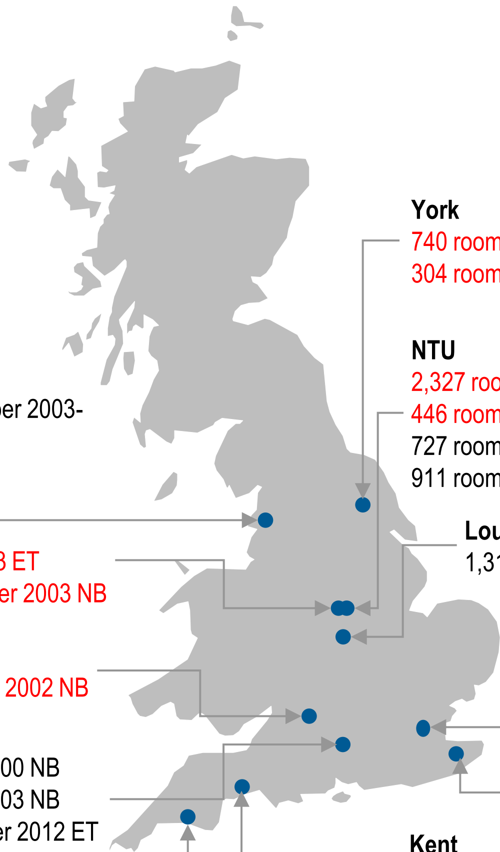
- Established in 1998, UPP has grown to become the UK's largest provider of on-campus residential and academic infrastructure
- UPP delivers a fully integrated service to universities encompassing the funding, design, construction and operation of student accommodation, creating valuable and stable infrastructure cash-flows
- Demand risk is managed through a combination of a robust commercial architecture, specialist operational staff and detailed market intelligence

UPP Group[1] in figures

Average occupancy across the portfolio in excess of 99.5% for the last 5 years
Projected gross rent roll of c.£150.8 million once fully built out in 2016/17
c.30,000 rooms under management or in construction with 14 partner universities
With the accession of UPP (Exeter) Limited rooms operated by the AssetCos have increased from 9,104 to 11,673

[1] Includes13 operational university projects

UPP Group Portfolio



Characteristics of the portfolio

- Long term, stable, RPI linked rental income with ability to pass-through costs, e.g. utilities
- Located in heart of campus
- c.30,000 rooms under operation or in construction with a further pipeline of c.20,000 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 any 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 interests between university and UPP

UPP Group Strategy

The Group continues to successfully execute its strategy for growth, one based on our overarching mission

“To be the strategic partner of choice in the delivery of infrastructure and asset management services to UK universities.”

The UPP model is focused on long-term partnerships, supporting universities in improving the quality of their physical infrastructure and services to students. In aligning the interests of both parties, our unique approach provides security in the delivery of revenues and in turn, expected returns to investors.

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
- Identify new revenue streams and increase the value of existing income
- Develop innovative solutions for the non-residential requirements of our partners
- Realise the economic benefits of ever more effective procurement

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Consolidated Asset Co performance 2014/15

Year on year comparison

£'000	Existing 6 AssetCos Y/e Aug-15	Existing 6 AssetCos Y/e Aug-14	Movement	Exeter Y/e Aug-15*	All AssetCos Y/e Aug-15
Turnover	45,877	44,222	3.7%	9,796	55,673
Cost of sales	(14,623)	(14,235)	2.7%	(2,804)	(17,427)
Gross profit	31,254	29,987	4.2%	6,992	38,246
Gross profit margin	68.1%	67.8%	-	71.4%	68.7%
Operating expenses	(1,931)	(2,096)	(7.8%)	(342)	(2,273)
EBITDA before sinking fund	29,323	27,891	5.1%	6,650	35,973
EBITDA margin	63.9%	63.1%	-	67.9%	64.6%
Sinking fund	(2,283)	(2,270)	0.6%	(319)	(2,602)
EBITDA	**27,040**	**25,621**	**5.5%**	**6,331**	**33,371**

Performance Highlights

- Occupancy for 2015 of 99.7% (2014: 100.0%)
- Like for like turnover up 3.7%, primarily from RPI linked rents
- EBITDA for 2015 of £33.4m (2014: £25.6m)
- Stable gross and EBITDA margins
- Sub-debt returns scheduled to be made of £8.665m
- No performance or unavailability deductions

* UPP (Exeter) Limited from 9 December 2014

Consolidated Asset Co performance 2014/15

Summarised consolidated performance

£'000	Existing 6 AssetCos Y/e Aug-15	Existing 6 AssetCos Y/e Aug-14	Variance	Exeter 4 Y/e Aug-15*	All AssetCos Y/e Aug-15
Turnover	45,877	44,222	1,655	13,358	59,235
Cost of sales	(14,623)	(14,235)	(388)	(3,773)	(18,395)
Overheads 1	(1,897)	(2,096)	199	(447)	(2,344)
EBITDA	**29,357**	**27,891**	**1,466**	**9,138**	**38,496**
CAFDS adj 2	(2,766)	(1,820)	(946)	(872)	(3,638)
CAFDS 3	26,592	26,071	521	8,266	34,858
Debt service	19,539	20,091	(552)	5,471	25,011
Ratio	**1.36**	**1.30**		**1.51**	**1.39**
Lock up	1.15				
Default	1.05				

1 Overheads excludes sinking fund costs and UPP Bond I audit fees of £34k.

2 CAFDS adjustment: deduct sinking fund deposit and add interest income.

3 CAFDS: Cash available for debt service.

4 CAFDS consolidated calculation includes full year EBITDA for UPP (Exeter) Ltd.

CAFDS: Cash available for debt service

* UPP (Exeter) Limited from 9 December 2014

Consolidated Asset Co performance 2014/15

Summarised consolidated performance
By AssetCo

£'000	Alcuin	Broadgate	Kent	Nottingham	Oxford	Plymouth	Exeter 3
EBITDA	**4,324**	**6,742**	**2,151**	**7,418**	**3,091**	**5,633**	**9,138**
CAFDS adj 1	(469)	(635)	11	(794)	(239)	(641)	(872)
CAFDS 2	3,855	6,107	2,162	6,625	2,852	4,992	8,266
Debt service	2,845	4,629	1,610	4,844	2,042	3,573	5,471
2014/15 Ratio	**1.36**	**1.32**	**1.34**	**1.37**	**1.40**	**1.40**	**1.51**
2013/14 Ratio	1.33	1.29	1.30	1.21	1.34	1.39	N/A
Head room over default	**869**	**1,246**	**472**	**1,540**	**707**	**1,240**	**2,522**

1 CAFDS adjustment: deduct sinking fund deposit and add interest income.
2 CAFDS: Cash available for debt service.
3 CAFDS consolidate calculation includes full year EBITDA for UPP (Exeter) Ltd.

* UPP (Exeter) Limited from 9 December 2014

Acceding AssetCo

- In December 2014 a new tranche of index linked notes were issued under the UPP Bond 1 Issuer PLC programme
- The £149.7million tranche was issued in respect of the UPP AssetCo at the University of Exeter
- The AssetCo operates 2,569 rooms for the University, was developed in three phases and has been fully occupied since operations commenced in 2009/10
- The issuance sees the quantum of notes issued under the Programme to date increase to £531.8million

- Subsequent to the issuance a latent defect in the newly built accommodation was recently identified
- This relates to the external panel detailing around the buildings and does not affect the operation of the accommodation which continues to be fully occupied at modelled rents.
- The Group is currently working with the contractor who built the accommodation to develop a programme of rectification works which will be undertaken over the course of subsequent summer vacation periods.
- It is the intention of UPP to robustly enforce its rights under the original construction contract, which places liability for latent defects firmly with the contractor.
- On the basis of having considered the facts and circumstances – and having taken legal advice - the directors of the Company are content that these works will not impact on cash generation at the AssetCo

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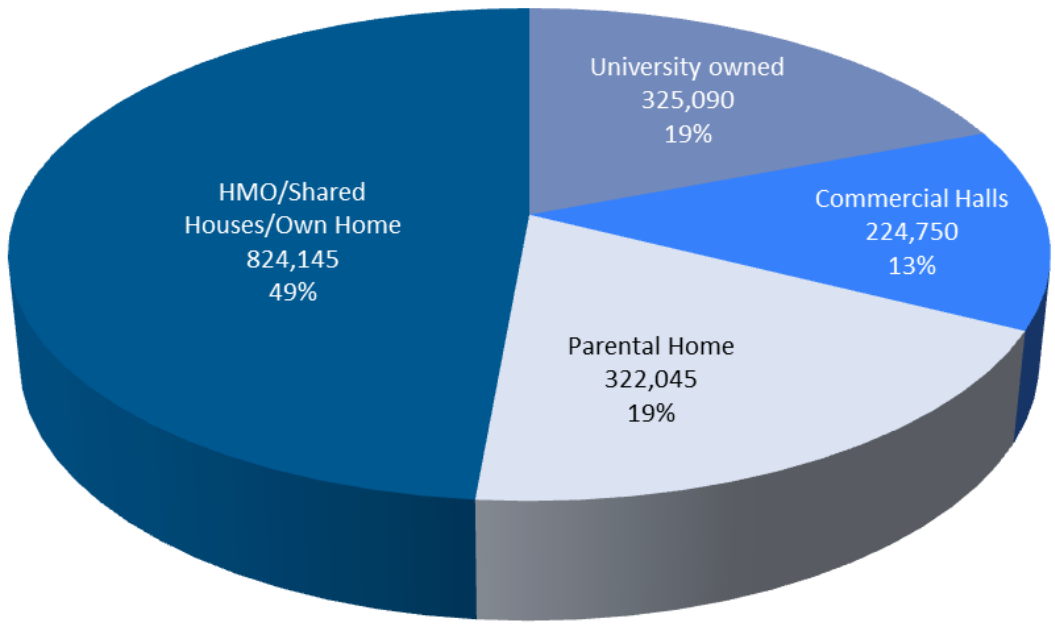
Long term demand and supply

The global higher education (HE) sector continues to grow with the number of 25-34 year olds, with a HE degree across OECD/G20 countries, projected to increase from 129m in 2010 to 204m by 2020*.

The UK remains one of the top destinations for HE. There are currently 34 UK institutions in the top 200 of The Times Higher Education World University Rankings for 2015/16 and 16 within the top 100.

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

Market Composition 2015: Student Residential (Source: HESA/UPP Market Data)



* OCED (2012) Education Indicators in Focus

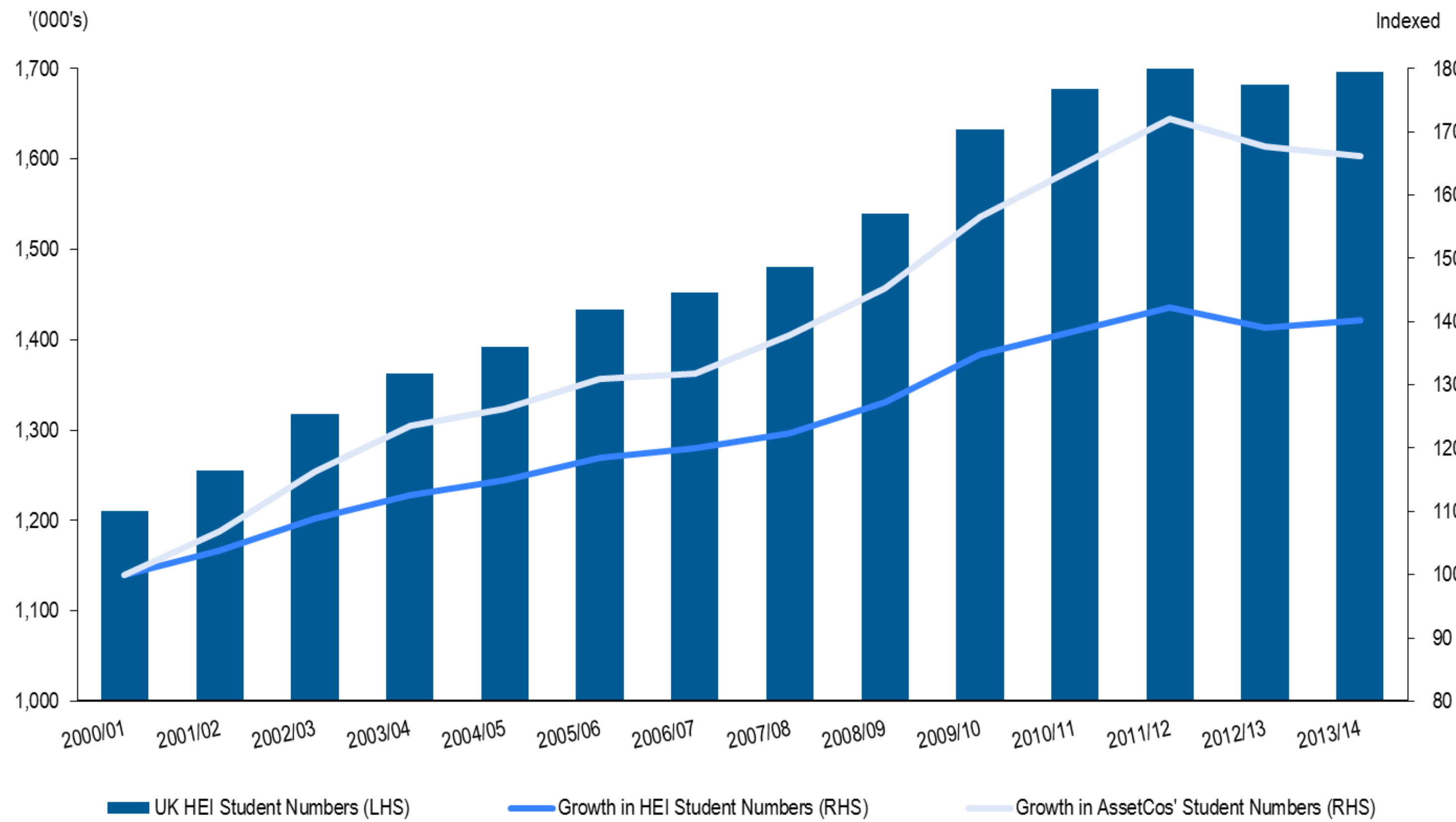
AssetCo demand outperforming the sector

Growth in full time student enrolment 2000/01 to 2013/14 (Source: HESA Headcount Data)

Demand for UK HE over the last decade has increased and growth in full time enrolment has seen the potential demand pool for residential accommodation grow from 1.2 m to nearly 1.7 m over the period 2000/01 to 2013/14.

Full time enrolment saw a fall of 2.3% for the first year of the new £9,000 fee regime (2012/13). However both applicant and acceptance numbers have increased year on year thereafter.

The UPP Bond 1 portfolio has outperformed average rates of growth across the sector. The chart (right) identifies a CAGR of 4.0% for UPP Bond 1 Issuer PLC institutions compared to 2.6% for the sector as whole.



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Continuous anti-cyclical demand

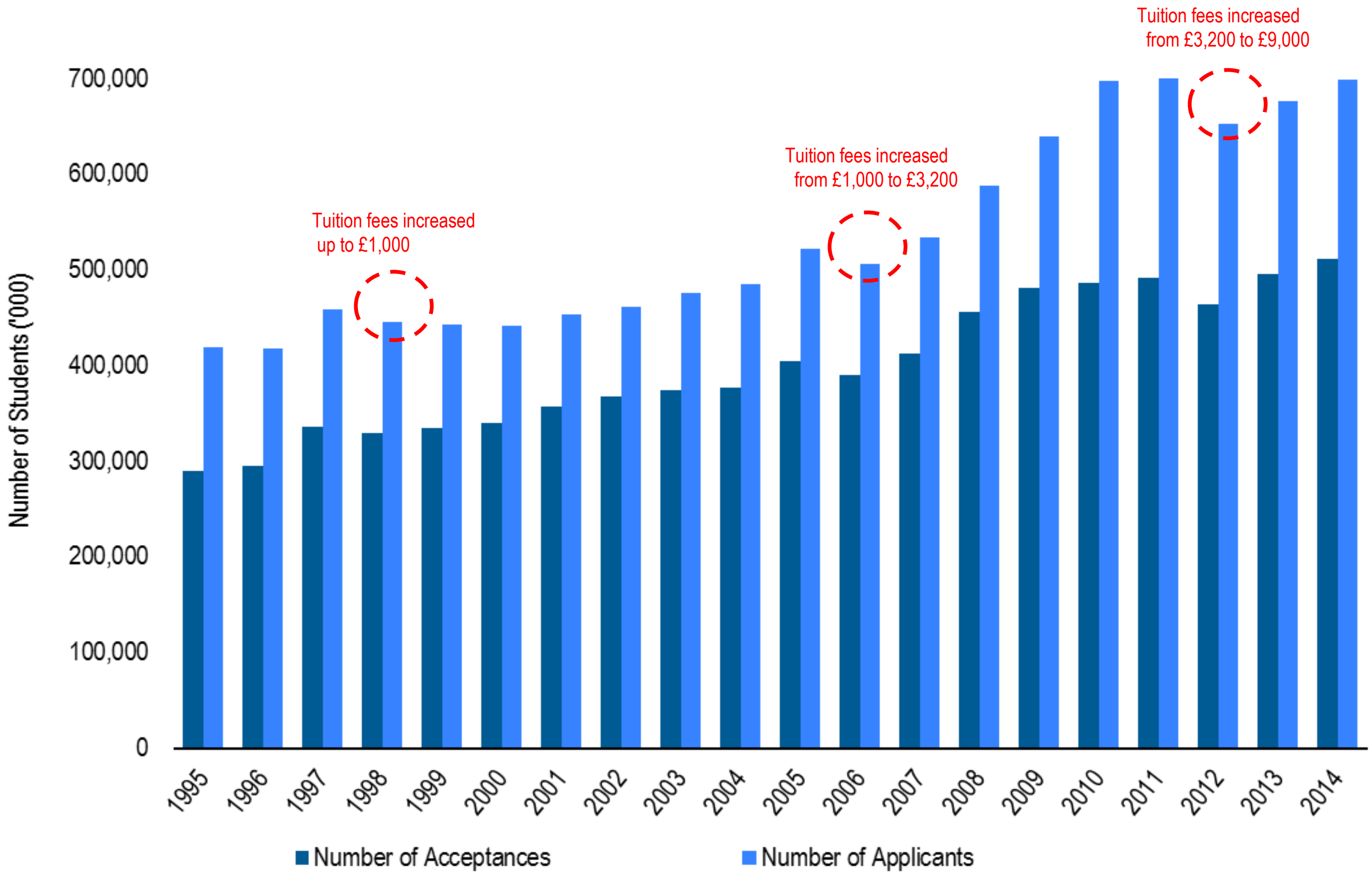
Applicants and Acceptances 1995/96 to 2014/15 (Source: UCAS End of Cycle)

Available longitudinal data identifies that, ahead of the increase in the tuition fee cap, there was a one year spike in applications for 2011/12.

This was followed by a decrease in applicant numbers in 2012/13.

However, subsequent years have seen a return to growth with total applicant numbers increasing by 3.1% in 2013/14 and 4.0% in 2014/15.

This pattern has been replicated for each key tuition fee event.



Favourable long term demand predictions

Early indications for 2016/17 based on those applying for entry for subjects with a 15 October 2015 deadline;*

- Overall applicant numbers rose by slightly less than 1% on the same point in the 2015/16 cycle
- Applicants from the EU are were up 8%
- Applicants from outside of the EU were up 1%

It should be noted that interim data should be treated with caution as in recent cycles, applicant totals have increased by around 300 per cent between the November interim comparison point and the January deadline. The increase between this point and the January deadline has varied each cycle.

Longer term projections identify demand tracking the birth rate albeit flexed for variable participation rates

- Student numbers are expected to plateau and decline slightly in the short term (five years) increasing thereafter to 2035
- However, the most recent Higher Education Initial Participation Rate has increased by four percentage points to 47%
- 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% over the next five years ***
- This would represent the equivalent of between 45,000 and 60,000 additional full-time students

* UCAS 15 October 2015 deadline data includes Medicine, Dentistry, Veterinary courses and all courses at the universities of Oxford and Cambridge (posted 27th October 2015)
** “Robbins Revisited” – October 2013 – The Minister for State for Higher Education and Skills
*** International Education: Global Growth and Prosperity – The Department for Business, Innovation and Skills, (July 2013)

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Opportunities in a changing sector

General Election 2015

- Uncertainty regarding funding arrangements acted as a motivation for institutions to postpone making large capital decisions as Labour were proposing a reduction of tuition fees caps to £6,000. The concern over the impact of this on institutional balance sheets was reflected in very few OJEU's issued for student accommodation projects. Subsequently institutions are now beginning to come to market in earnest.

Policy

- The new administration has appointed Jo Johnson MP Minister for Universities and Science and he has picked up where David Willetts left off with a new Green paper which picks up on much of the content of the previous White Paper which never made it to Parliament. Entitled "Fulfilling our Potential: Teaching Excellence, Social Mobility and Student Choice" the Green Paper published in November 2015. Key elements include;
  - HEFCE to be merged with a number of other sector organisations such as OFFA and potentially the QAA
  - New body to be called the Office for Students but retaining the regulatory powers of HEFCE
  - Introduction of a tiered Teaching Excellence Framework linked to inflation based tuition fee increases
  - Level playing field for new private providers by creating a simpler single route to DAPs – market entry and exit

Visa Regulations

- The Home Office continues to place pressure on institutions to ensure that students enrolled from outside the EU are bona fide. To this end, during the AY 2014/15, the level of institutional visa refusal deemed acceptable by the Home Office was reduced from 20% to 10%. Where an institution exceeds this figure, the university is at risk of losing their license to recruit overseas students. Whilst demand from overseas students remains strong, this is making some universities take a more cautious approach to recruiting students from outside the EU.

Competitors

- During the financial year, the student accommodation market in the UK has remained strong and witnessed continued investment as secondary market portfolio merger and acquisition transactions continue to define the industry landscape. Demand for portfolios, particularly those located in London, has been dominated by overseas operators and large international investors.

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Forecast consolidated AssetCo performance 2015/16

Projected summarised consolidated performance

£m	2015/16
Turnover	60.3
Projected Costs	(25.6)
CAFDS	34.7
Debt Service	25.9
Projected ratio	**1.34**
Lock Up	**1.15**
Default	**1.05**

- Comfortably ahead of the Standard and Poors base case ratio of 1.26 for the same period
- Occupancy currently standing at 99.9% with six of the seven AssetCos achieving 100%
- Rental income for 2015/16 is expected to be c.£60.3m, an underlying increase of 1.9%
- 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 1.34, in line with original modelled performance
- Comfortably within covenants

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Summary

- Favourable industry demand and supply characteristics remain
- UPP continues to have a market leading position
- An attractive, stable and predictable cash generating business model
- Strong trading position for 2015/16
  - UPP Bond Group portfolio 99.9% occupied
  - Turnover forecast to grow by 1.9%
- Long term shareholder support for the further expansion of the business
- A reinvigorated post-election pipeline of new developments and large scale estate transfers coming to market
- A Group well placed to exploit further growth opportunities