UPP Bond 1 Issuer PLC

Results Presentation for the year ended

31 August 2018




Investor Call 1100hrs 12 December 2018

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Agenda

1. Highlights of the year ended 31 August 2018
2. Key Business Developments
3. Market Update
4. AssetCos Financial Review 2017/18
5. Forecast 2018/19
6. Sinking Fund Budgets
7. Any Other Business/Questions

1. Highlights of the year ended 31 August 2017

Richard Bienfait (Chief Financial Officer)

Results Summary

- Occupancy for 2017/18 of 100.0% (2016/17: 99.9%)
- Turnover up by 2.6% to £64.3m, reflecting RPI-linked annual term rental income increases
- Increase EBITDA of 3.5% to £42.4m driven by savings on utilities and reduction in tax costs
- EBITDA margin increase of 0.6% year on year to 65.8%
- Both Historic and Projected Annual Debt Service Coverage Ratios comfortably above lock-up triggers post-year end
- Strong demand has continued into 2018/19 with projected occupancy across all AssetCos in excess of 99.2% occupancy

Sean O'Shea, Chief Executive Officer

"Once again, the results for UPP Bond 1 Holdings Limited for the financial year ended 31 August 2018 underline the attractiveness of UK higher education (HE) as a sector offering opportunities for investors seeking stable, long-term returns based on accretive, asset-backed and RPI-linked revenues. The unique models of partnership developed by UPP over the last two decades are testament to the mutual benefits available to all parties where the interests of each are genuinely aligned over the long term.

Evidence from UCAS continues to suggest that, despite the uncertainties of Brexit, demand from EU and international students remains robust and levels of participation of young people from the UK remain at a record high. Whilst the sector has witnessed regulatory change over the course of the financial year, with the establishment of the Office for Students as sector regulator and the Department for Education currently reviewing all elements of HE's value for money under the auspices of the Augar Review, it is highly unlikely that this will deter students from realising the lifetime benefits of studying at university."

2. Key Business Developments

Richard Bienfait (Chief Financial Officer)

Business Developments

CEO Succession:

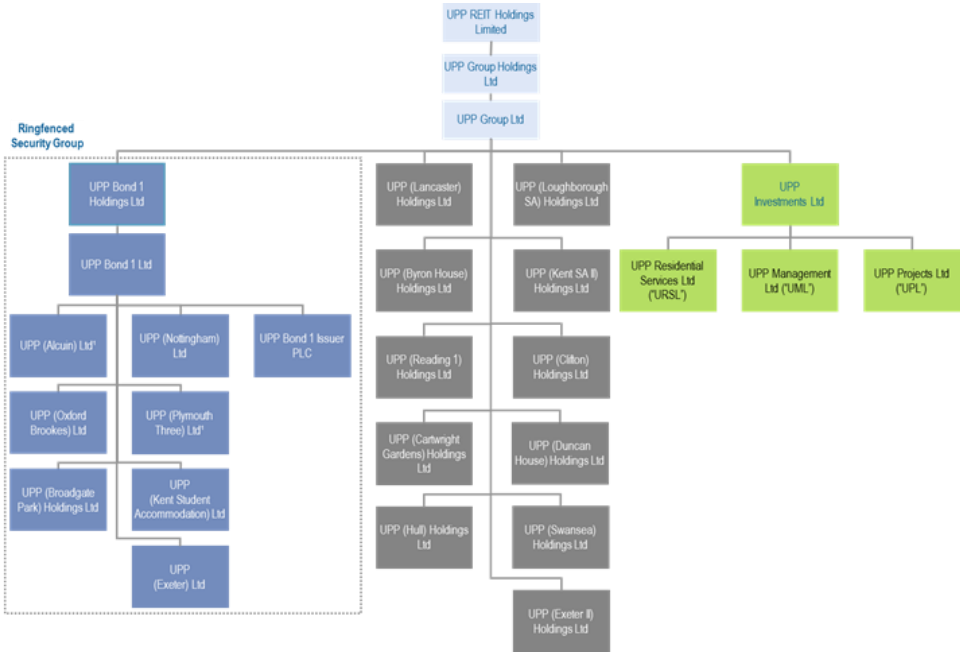
- On 7 August 2018 UPP announced that Richard Bienfait, currently UPP CFO, will take over from Sean O'Shea as Group CEO
- Effective Q1 2019
- Sean will remain with the business in the role of Vice Chairman, ensuring a smooth transition
- Successful proactive management of a classically challenging business change

Sean was one of the founding Directors of UPP in 1998:

- Chief Executive since 2008
- Doubled the number of rooms during his period of leadership
- Remains in-place to support Richard and the business in the delivery of the next 5-year business plan

Business Developments

- During the financial year the wider Group elected to convert to a Real Estate Investment Trust (REIT). To facilitate this, the Group was required to establish a new ultimate holding company to meet the specific listing requirements for a REIT.
- On 28 February 2018, UPP REIT Holdings Limited (ISIN – JE00BF5PSP50) completed the acquisition of the entire issued share capital of Student UK TopCo Limited (SUKT) thereby becoming the Parent Company of UPP Group Holdings Limited.



Business Developments

- In addition to this restructuring, the Group also sought the consent of each Noteholder (Qualifying Issuer Secured Creditors) for the waiver of the existing subordinated shareholder debt between each AssetCo and its Parent Company, UPP Bond 1 Limited. Following an Issuer Security Trustee Voting Request (dated 17 January 2018), consent for the waiver and necessary amendments to the Tax Deed of Covenant was given on 15 February 2018.
- Accordingly, the UPP Group converted to a UK REIT on 28 February 2018 and was officially admitted to The International Stock Exchange as of 8 March 2018.
- The REIT structure, which has been promoted by the UK government as an efficient vehicle for the long-term ownership of UK real estate interests, will allow the asset companies composing the Group's property portfolio to benefit from the REIT exemption from corporation tax arising in its property rental business.
- UPP remains UK tax resident.

Business Developments

Investment Programme:

- Financial close of £98.0m transaction with Swansea University for 2,021 bedrooms at the Bay Campus
- Financial close of £41.4m Moberly and Spreytonway redevelopment for 382 new bedrooms at University of Exeter
- Preferred bidder status on the East Park development at University of Exeter for circa 1,200 rooms
- Phase One of the Westfield Court development (478 rooms) with the University of Hull reached practical completion for September 2018
- University of London, 511 rooms at Eleanor Rosa House in Stratford reached "topping out" during September 2018 with practical completion expected in August 2019.
- Following the Grenfell Tower Fire, UPP reviewed its portfolio, identified assets which were constructed using the same cladding and took action
- Byron House, Nottingham, works to replace cladding on 232 rooms completed during June 2018

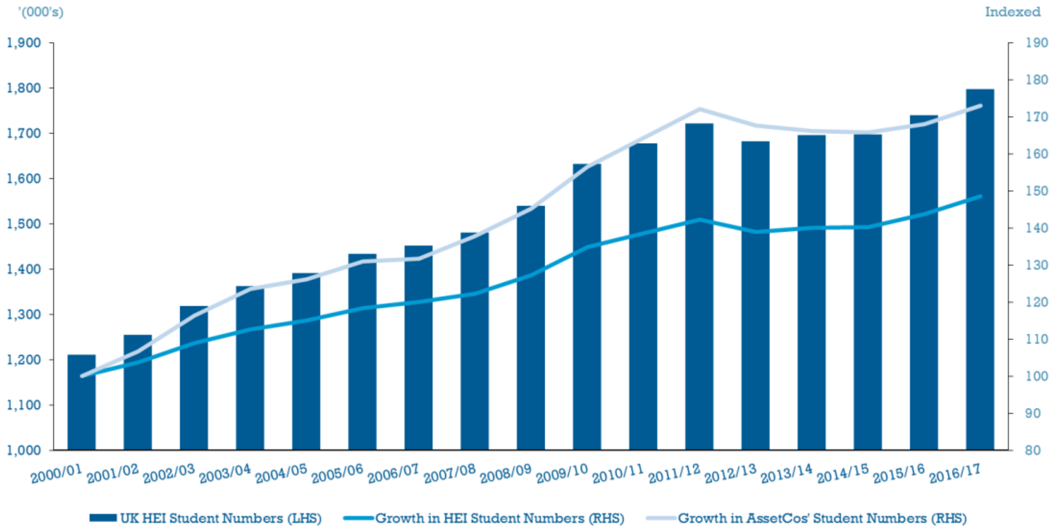
3. Market Update

Jon Wakeford (Group Director of Strategy)

Demand for Higher Education

- Demand for UK Higher Education remains strong
- The chart (right) identifies that growth in full time enrolments continues
- Whilst the sector has seen compound annual growth rates in full time students of 2.2% per annum over the last decade, those universities with AssetCos in UPP Bond 1 Issuer PLC have seen stronger growth at 2.8%
- This underlines the strength of the selective approach of the Group
- The demographic decline in the number of 18 year olds will halt in 2019, thereafter increasing by 23% over the next decade
- Increasing participation and acceptance rates will see demand increase by a minimum of an extra 50,000 UK full time students by 2030

Full Time Student Enrolment 2000/01 to 2016/17 (HESA Headcount)



Residential Demand for AssetCos

All Students	2012/13	2013/14	2014/15	2015/16	2016/17	Change 15/16 to 16/17	Change 12/13 to 16/17
Total Demand Pool	100,250	100,015	99,040	101,435	105,680	4.2%	5.4%
Number of Beds	33,586	35,269	37,103	37,130	37,345	0.6%	11.2%
Students:Bed Ratio	3.0	2.8	2.7	2.7	2.8	0.1	(0.2)

First Years	2012/13	2013/14	2014/15	2015/16	2016/17	Change 15/16 to 16/17	Change 12/13 to 16/17
Total Demand Pool	40,575	43,835	42,830	43,535	45,570	4.7%	12.3%
Number of Beds	33,586	35,269	37,103	37,130	37,345	0.6%	11.2%
Students:Bed Ratio	1.2	1.2	1.2	1.2	1.2	0.0	0.0

Residential Supply

Key Market Dynamics:

Exeter

- The University of Exeter had 21,625 full-time students in 2016/17 and has grown at a very fast pace over the last years. It has a higher number of undergraduate numbers than the UK average and a more international student population; both indications of a strong demand pull in terms of student accommodation.
- The University has grown the number of students from outside the South West region by 26%, the number of students from outside the UK by 18% and the number of applications through UCAS by 57% over the last five years (2012-2017).
- Exeter has a SBR of 3.1:1 and has chosen to take a 100% nomination for the AY 2018/19

Kent

- There are in total 2,115 number of beds in the private purpose-built student accommodation in Canterbury. Most of these accommodation rooms are located in the City with only a few schemes being closer to the Campus.
- The University of Kent has grown at faster rate than the UK average over the last five years and the non-UK population has become a larger proportion of the total full-time student population, increasing from 23% in 2011/12 to 25% to 2016/17.
- The all-year student: bed ratio is 2.4:1, higher than the national average and an increase from 2.3:1 last year, with the first-year student: bed ratio the same as last year at 1.0:1, marginally above the national average.

Residential Supply

Key Market Dynamics:

Nottingham

- The University of Nottingham saw an increase of 305 in the core demand pool in 2015/16 and this was followed by a further increase in the core demand pool of 705 to a total of 23,085 for 2016/17.
- The student: bed ratio increased from 2.5:1 in 2014/15 to 2.8:1 in 2016/17.
- Nottingham Trent University has continued to increase recruitment from outside of the East Midlands and has seen its core demand pool increase by 2,375 to 17,725 between 2014/15 and 2016/17.
- Offering 4,800 beds the student: bed ratio at NTU increased from 3.2:1 in 2014/15 to 3.7:1 in 2016/17.
- There are approximately 8,500 PBSA units across Nottingham. The University of Nottingham offer a further 8,200 rooms including those of UPP (Broadgate Park) Holdings Limited
- There are currently a further 3,500 rooms in the pipeline i.e. in planning or in construction

Oxford

- The students:bed ratio at Oxford Brookes University remains steady at 1.8:1 on the basis of a very restrictive city-wide planning environment
- The University continue to nominate the accommodation on the basis of the financially beneficial market rent mechanic
- In 2018 the University is offering 3,564 rooms to its students through its own accommodation and Cheney Student Village, its partnership with UPP. There were a further 1,452 offered in shorter term arrangements by the University and 365 rooms provided in private halls.

Residential Supply

Key Market Dynamics:

Plymouth
- PBSA supply has increased by 2,483 beds since 2010
- Increase in planning pipeline to 2,047 beds (with 1,295 approved)
- A decrease in the core demand pool over time has seen student: bed ratios falling from 4.9:1 in 2010/11 to 3.5:1 in 2016/17 against a sector average of 2.1:1
- However, the University have reduced the number of rooms under nomination – the impact of which would see the student: bed ratio rising to 4.5:1 for all years for the academic year 2018/19

York
- Out of the 5,746 beds available in total at the University of York, 1,043 beds are provided by UPP.
- There is no significant private student accommodation pipeline for York but the University's recently procured scheme will increase the overall rooms offered by 1,400 to a new total of 7,099 in 2021/22
- The Core Demand Pool at York is also expected to grow during the period from 13,666 to 15,222
- If the growth and the supply match projections then the student: bed ratio will fall from 2.4:1 to 2.1:1 which still represents a relatively strong ratio given the location of the campus although there is a growing presence from private PBSA to the North West of the campus

Changes in UK Higher Education

Office for Students:

The introduction of the Office for Students as the *de facto* CMA for Higher Education will also see universities and student accommodation providers come under far greater scrutiny

New Minister for Higher Education:

Whilst a new Minister for Universities, Science, Research and Innovation, Sam Gyimah, was appointed during the year, during December 2018 he resigned over the Government's position on Brexit.

During his tenure, however, he confirmed that the issue of accommodation costs would form part of the remit of the Augar Review as it is directly linked to the sizing of maintenance loans

The Augar Review:

The Review continues with its focus on value for money, choice and competition

Due to report in January 2018 following the ONS opinion on the treatment of the Resource Accounting and Budgeting (RAB) charge as part of public expenditure

Brexit Risks

Brexit is due to occur on 29 March 2019 at 1100hrs. Brexit negotiations are split into two parts;

- The “Divorce” Settlement
- The Future Trading Relationship

The “Divorce” Settlement was agreed in principle in December 2017 albeit that the element relating to the Irish Border was fudged and remains a live issue

- By December 2018 it is intended that the Settlement and a statement of political intent relating to the future trading relationship between the UK and the EU are agreed
- The agreed UK negotiating position is expressed in the Chequers Agreement. It is not supported by Labour, the Liberal Democrats the SNP and the European Reform Group/Bruges Group of Conservative MPs
- The Chequers Agreement was presented at the Salzburg Summit during the course of September 2018 and was rejected outright by EU leaders.

Brexit Risks

Scenario Modelling:

Higher Education Policy Institute and London Economics

- A depreciation of sterling by 10% with the direct impact of a 2.1% increase in UK HE enrolment in the same year – 2% the year after
- The removal of EU student support (i.e. access to subsidised income contingent loans)
- EU domiciled student fees are increased to a level of those charged to international students

The impact of a currency depreciation would result in a 4.1% direct effect increase EU/international enrolment over two years and an 11% indirect effect increase in EU/International undergraduate enrolment as other competitor countries appear less attractive.

International postgraduate numbers would also be projected to increase by 3.5%

A potential fall in student numbers across the four clusters of 26,000 EU students and an increase in international students (including EU students under the new fee regime) of 14,500 students

The net fall of circa 11,500 students represents the equivalent of a 0.6% fall in total full-time students

Party Political Risks

Party Political Risk crystallising as a result of Brexit scenarios

If a pause to the process is agreed under Article 50, Conservative and DUP MPs could be persuaded to dissolve parliament under the terms of the Fixed-Term Parliament Act and seek to generate a mandate to pass the negotiated deal.

This could lead to a Labour Government being elected. The potential impacts could be one, more or all of the following;

- Economic uncertainty leading to a further hiatus in the market and a slowing pipeline
- Further Review of HE funding leading to the reintroduction of a grants based system
- The reintroduction of SNCs as a means of capping systemic cost liability
- Labour is looking to undertake a review of planning relating to student residences

5. Consolidated AssetCo Performance 2017/18

Richard Bienfait (Chief Financial Officer)

Bond consolidated – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	64,329	63,295	1,034
Cost of sales	(18,987)	(18,680)	(307)
Gross profit	**45,342**	**44,615**	**727**
Overheads	(2,990)	(2,964)	(24)
EBITDA (pre sinking fund)	**42,352**	**41,651**	**701**
Sinking fund	(5,300)	(4,540)	(760)
EBITDA	**37,052**	**37,111**	**(59)**
Ratio	1.38	1.34	
Headroom	6,378	5,227	

- Occupancy was 100% for the year.
- EBITDA pre sinking fund £701k better than budget.
- Sub debt returns of £9,660k.
- 2018/19 forecast ratio 1.34

Bond consolidated – finance update

- Ratio analysis

	Alcuin	BGP	Exeter	Kent	NTU	Oxford	Plymouth	Consol
17/18 Historic	1.33	1.41	1.37	1.38	1.40	1.41	1.36	1.38
18/19 Forward	1.33	1.38	1.37	1.44	1.33	1.40	1.20	1.34

- Occupancy analysis

	Alcuin	BGP	Exeter	Kent	NTU	Oxford	Plymouth	Consol
17/18	100%	100%	100%	100%	100%	100%	100%	100%
18/19	100%	100%	100%	100%	100%	100%	95%	99%

Alcuin – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	6,396	6,348	48
Cost of sales	(1,441)	(1,438)	(3)
Gross profit	**4,955**	**4,910**	**45**
Overheads	(242)	(293)	51
EBITDA (pre sinking fund)	**4,713**	**4,617**	**96**
Sinking fund	(861)	(526)	(335)
EBITDA	**3,852**	**4,091**	**(239)**
Ratio	1.33	1.31	
Headroom	579	473	

- Occupancy was 100% for the year, 100% for 2018/19.
- EBITDA pre sinking fund £96k better than budget.
- Sinking fund spend - 20 kitchens replaced, continued phased decorations of corridors and bedrooms.
- FM performance score of 98.4%.
- Returns of £1,049k.
- 2018/19 forecast ratio 1.33.

Broadgate Park – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	11,973	11,732	241
Cost of sales	(3,477)	(3,499)	22
Gross profit	**8,496**	**8,233**	**263**
Overheads	(696)	(681)	(15)
EBITDA (pre sinking fund)	**7,800**	**7,552**	**248**
Sinking fund	(672)	(610)	(62)
EBITDA	**7,128**	**6,942**	**186**
Ratio	1.41	1.35	
Headroom	1,324	1,026	

- Occupancy was 100% for the year, 100% for 2018/19.
- EBITDA pre sinking fund £248k better than budget.
- Sinking fund spend - Carpets in studios and common areas, 18 kitchens and 5 studio kitchens replaced, external window painting in lower court.
- FM performance score of 98.9%.
- Returns of £1,870k.
- 2018/19 forecast ratio 1.38.

Exeter – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	14,308	13,941	367
Cost of sales	(4,142)	(3,895)	(247)
Gross profit	**10,166**	**10,046**	**120**
Overheads	(555)	(420)	(135)
EBITDA (pre sinking fund)	**9,611**	**9,626**	**(15)**
Sinking fund	(1,120)	(960)	(160)
EBITDA	**8,491**	**8,666**	**(175)**
Ratio	1.37	1.38	
Headroom	1,349	1,388	

- Occupancy was 100% for the year, 100% for 2018/19.
- EBITDA pre sinking fund £15k lower than budget.
- Sinking fund spend – A spread of various works including refurbishment of communal bathrooms, new door entry systems, flat doors, carpets, decorations and lighting.
- FM performance score of 99.7%.
- Returns of £1,745k.
- 2018/19 forecast ratio 1.37.

Kent – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	3,914	3,877	37
Cost of sales	(1,071)	(1,076)	5
Gross profit	**2,843**	**2,801**	**42**
Overheads	(344)	(418)	74
EBITDA (pre sinking fund)	**2,499**	**2,383**	**116**
Sinking fund	(150)	(64)	(86)
EBITDA	**2,349**	**2,319**	**30**
Ratio	1.38	1.29	
Headroom	372	227	

- Occupancy was 100% for the year, 100% for 2018/19.
- EBITDA pre sinking fund £116k better than budget.
- Sinking fund spend - Mainly a refresh of decorations. Trial of a new kitchen design in conjunction with the University with a view to 8 replaced this year.
- FM performance score of 96%.
- Returns of £736k.
- 2018/19 forecast ratio 1.44.

Nottingham Trent – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	14,233	14,123	110
Cost of sales	(5,231)	(5,220)	(11)
Gross profit	**9,002**	**8,903**	**99**
Overheads	(484)	(470)	(14)
EBITDA (pre sinking fund)	**8,518**	**8,433**	**85**
Sinking fund	(1,570)	(1,496)	(74)
EBITDA	**6,948**	**6,937**	**11**
Ratio	1.40	1.32	
Headroom	1,406	913	

- Occupancy was 100% for the year, 100% for 2018/19.
- EBITDA pre sinking fund £85k higher than budget.
- Sinking fund spend – A spread of various works including refurbishment of communal bathrooms, fire alarm system, a number of new kitchens, boiler replacement, carpets and decorations.
- FM performance score of 96%.
- Returns of £2,022k.
- 2018/19 forecast ratio 1.33.

Oxford Brookes – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	4,538	4,508	30
Cost of sales	(944)	(979)	35
Gross profit	**3,594**	**3,529**	**65**
Overheads	(237)	(285)	48
EBITDA (pre sinking fund)	**3,357**	**3,244**	**114**
Sinking fund	(175)	(358)	183
EBITDA	**3,182**	**2,886**	**296**
Ratio	1.41	1.35	
Headroom	599	475	

- Occupancy was 100% for the year, 100% for 2018/19.
- EBITDA pre sinking fund £113k better than budget.
- Sinking fund spend – Continuing kitchen replacement with students in occupation, carpeting to bedrooms and common parts.
- FM performance score of 99.1%.
- Returns of £836k.
- 2018/19 forecast ratio 1.40.

Plymouth – finance update

£000's	2017/18 Actual	2017/18 Budget	Variance
Turnover	8,969	8,881	88
Cost of sales	(2,682)	(2,688)	6
Gross profit	**6,287**	**6,193**	**94**
Overheads	(338)	(355)	17
EBITDA (pre sinking fund)	**5,949**	**5,838**	**111**
Sinking fund	(753)	(526)	(227)
EBITDA	**5,196**	**5,312**	**(116)**
Ratio	1.36	1.33	
Headroom	845	724	

- Occupancy was 100% for the year, 95% for 2018/19.
- EBITDA pre sinking fund £111k better than budget.
- Sinking fund spend – Boiler replacement across the estate, 5 kitchens at Radnor.
- FM performance score of 99.1%.
- Returns of £1,401k.
- 2018/19 forecast ratio 1.20.

5. UPP Bond 1 Issuer PLC Forecast 2018/19

Richard Bienfait (Chief Financial Officer)

Bond consolidated – 2018/19 Forecast

£000's	2018/19 Forecast	2017/18 Actual	Variance
Turnover	65,523	64,329	1,194
Cost of sales	(19,282)	(18,987)	(295)
Gross profit	**46,241**	**45,342**	**(899)**
Overheads	(2,894)	(2,990)	96
EBITDA (pre sinking fund)	**43,347**	**42,352**	**995**
Sinking fund	(6,511)	(5,300)	(1,211)
EBITDA	**36,836**	**37,052**	**(216)**
Ratio	1.34	1.38	
Headroom	5,551	6,378	

- Occupancy achieved of 95.0% at Plymouth, 99.9% at Broadgate Park and 100% at all other AssetCos.
- Term rental increase of 2.7% compared to 2017/18.
- RPI of 3.5%.
- Sub debt returns of c.£9,000k.

6. Sinking Fund Budgets

Richard Bienfait (Chief Financial Officer)

Sinking fund budget update

- Available balance calculations prepared by finance.
- Budget meetings are being held with the sites to prepare draft budgets for 2018/19.
- The proposed sinking fund budget will be coordinated with UML and university partners following the condition surveys.
- For reference, the SPV budget spend vs 2017/18 is shown below:

£000’s	Alcuin	BGP	Exeter	Kent	NTU	Oxford	Plymouth	Total
2017/18	861	672	1,120	150	1,570	175	753	5,300
2018/19	976	1,170	1,138	452	1,577	173	1,025	6,511

Questions?