

## UPP Bond Issuer PLC – Trading Update

23 September 2020

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**THIS NOTICE CONTAINS IMPORTANT INFORMATION THAT IS OF INTEREST TO THE REGISTERED AND BENEFICIAL OWNERS OF THE SUBJECT SECURITIES. IF APPLICABLE, ALL DEPOSITORIES, CUSTODIANS AND OTHER INTERMEDIARIES RECEIVING THIS NOTICE ARE REQUESTED TO EXPEDITE THE RE-TRANSMITTAL TO BENEFICIAL OWNERS OF THE SECURITIES IN A TIMELY MANNER.**

### Notice to the holders of

**£307,100,000 Amortising Fixed Rate Senior Secured Notes due 2040 (ISIN: XS0897452412)**

**and**

**£75,000,000 Amortising RPI Index-Linked Senior Secured Notes due 2047 (ISIN: XS0897451877)**

**and**

**£149,700,000 Amortising RPI Index-Linked Senior Secured Notes due 2049 (ISIN: XS1148134601)**

**Issued by**

**UPP BOND 1 ISSUER PLC**

### Trading Update

UPP REIT Holdings Limited (ISIN – JE00BF5PSP50) the Parent Company of UPP Group Holdings Limited, trading as University Partnerships Programme (UPP), can provide a trading update to noteholders on the following matters;

- Revenues received for Term Three and Term Four (relevant to those lettings with length of 50 weeks or above) for FY 2019/20;
- Market conditions in the higher education sector;
- Current progress on lettings and sales for the FY 2020/21;
- Monitoring Adviser Proposal Request in Relation to UPP (Nottingham) Limited; and
- Rating Agency Update.

### Term Three and Term Four (50 week) revenues 2019/20

UPP can confirm that, in line with credit and void provisions, the Company has received all revenues due to UPP Bond 1 Issuer PLC for Term Three, totalling £17.0m. As of the Financial Year End 31 August 2020, the Company can also confirm receipt of all expected Term Four revenues relating to contracts of fifty weeks or more, totalling £3.8m.

## Market conditions in the higher education sector

On the basis of UCAS sector level clearing updates as at 4 September 2020, data suggests that there has been a small increase in placed applicants overall of 4% to 508,090 to date in comparison to last year at the same stage of the cycle.

Institutions classified as high tariff have seen placed applicant numbers increase by 11% to 169,570, with medium tariff universities growing by 1%. The number of placed applicants at lower tariff institutions remained at the same level. There was an increase in both UK and non-EU placed applicants of 4% and 7% respectively in comparison to last year at this stage, whilst there was a 5% decrease in those from EU countries.

Those placed to their firm choice institution are up 5% to 397,990 and represent approximately two thirds of those placed. The increase in those being placed in their firm choice impacts other routes such as insurance placings and clearing as less students require a second option at this stage. Insurance placings are currently down 24%.

Placed applicants seeking to defer are up by 8% to 27,630, however, this represents only 2,000 students. The composition of this group has been driven by an increase in UK applicants of 5% and an increase in international students of 89% year on year.

## Sales and Lettings FY 2020/21

The Company can confirm that the combined total of nominations secured, and Student Residences Agreements in place with students holding Conditional and Unconditional Firm offers, represent a portfolio currently at 97% occupancy for AY2020/21.

It should be noted that the AssetCo's at Oxford Brookes University and the University of Exeter have received nominations of 100%, whilst at Nottingham Trent University the Company has received an underwrite of void rooms. This has secured occupancy on the equivalent of 52% of all rooms within the UPP Bond 1 Issuer PLC ring-fence. There remains a contingent and as yet uncrystallised risk to occupancy at UPP (Kent Student Accommodation) Limited, on the basis that this residence is marketed to postgraduate students, a cohort subject to greater demand elasticity than UK undergraduate numbers.

Whilst overall this is an encouraging outlook, it should be noted that there remains some uncertainty with respect to the number of international students holding offers that will either wish or be allowed to enter the UK.

## Update on UPP (Nottingham) Limited

On 18 August 2020 a Monitoring Adviser Recommendation was issued in relation to UPP (Nottingham) Limited and Nottingham Trent University. The Recommendation related to a Monitoring Adviser Proposal Request (dated 14 August 2020) seeking written consent from the Issuer Security Trustee for the AssetCo to:

- i. Provide consent to the University to allow it to enter into Relevant Arrangements in relation to academic years 2020/21 and 2021/22;
- ii. Waive a potential breach of the Primary Agreement and the Direct Agreement by the University and a further consequential breach by the AssetCo arising from the same, under

paragraphs 15 and 18 of Part 3 of Schedule 11 of the CTA, in relation to academic year 2019/20; and

- iii. Enter into a Triparty Agreement in respect of the apportionment of the underwrite in relation to academic years 2020/21 and 2021/22.

As noted in the Consent Request, based on the most recent projections and the nature of the Triparty Agreement relating the underwrite, we expect that the AssetCo accommodation will achieve 100% occupancy during the 2020/21 academic year. The Company believes that the University will be in a position to demonstrate satisfaction of the relevant tests in future and is working with the University to ensure adherence to the terms of the Primary FM Agreement. The Company is also working with the University to ensure it receives the information required to monitor the University's compliance with the various Primary Agreement tests.

### Rating Agency Update

The Company can announce that during August 2020, Moody's Investors Service held a Ratings Committee following a review of UPP Bond 1 Issuer PLC. Having held the rating at "Baa1 under review for downgrade" since an initial ratings committee back in May 2020, the Company can confirm that the rating has been reaffirmed as Baa1, stable outlook. This reaffirmation reflects:

- i. The strength of the contractual arrangements between the Company and each university partner with Term Three rent payments being paid in full as scheduled, despite our university partners waiving the obligation for students to pay rent and a significant proportion of the Bond 1 portfolio rooms being unoccupied;
- ii. The progress made on the 2020/21 lettings position; and
- iii. That the Projected Debt Service Cover Ratio based on current lettings would be in excess of 1.20x (and comfortably passes the distribution lock-up test of 1.15x), and that the Company could now service scheduled debt service for the next year without needing to rely on utilising reserve accounts.

The stable outlook has been assigned to the rating on the basis of the ability of the Company to secure lettings and maintain positive liquidity despite the impact of COVID-19.

It should be noted that this follows the Research Update issued by S&P Global Ratings on 20 April 2020, which downgraded the Senior Debt of UPP Bond Issuer PLC to BBB+ from A- in light of disruption caused by the COVID-19 pandemic. As part of the same update, the rating was assigned a negative outlook, in light of the possibility of continued social distancing measures and travel disruption eroding revenue by more than their own assumptions.

On 24 April 2020, the Company issued a [statement](#) outlining its contention that the downgrade reflected an unduly conservative view of short-term risk and that it saw no basis for negative revisions to long-term assumptions. This remains the position of the Company.

For further information, please email UPP Investor Relations at [investor.relations@upp-ltd.com](mailto:investor.relations@upp-ltd.com) or call +44 (0)20 7398 7200.