ATTACHMENT 1[1]

STUDENT ACCOMMODATION FINANCIAL PERFORMANCE 2021-2023 – COMPARISON TO TERMINATION BUSINESS CASE

BACKGROUND

The University entered into a 43-year partnership arrangement with Living and Learning Partners (LLP) in December 2014 for the operation, maintenance and construction of university student accommodation. In brief the arrangement included:

- an upfront cash payment to the University of $120M (retained after termination)
- construction of an additional 800 beds valued at approximately $125M (retained after
- termination)
- LLP was responsible for building and facility maintenance over the life of the agreement.
- All accommodation revenues transferred to LLP.
- LLP paid UOW a fee to operate the facility (marketing, recruit, manage students/residents).

The arrangement was based on revenue being achieved from specific occupancy and weekly rentals. If revenue levels were not achieved UOW was required to pay a "contingent financial support (CFS)" payment to LLP up to 85% of agreed revenue. Due to occupancy and rental levels falling below the agreed levels, UOW was required to pay CFS from 2018.

From 2018 to 2020 UOW paid $32M in CFS and rental subsidies. Given a range of factors, which were exacerbated by the COVID-19 crisis, it was estimated that UOW would continue to pay CFS into the foreseeable future in excess of $8M p.a. The arrangement was considered to be no longer in the best interests of the University and hence the agreement was terminated.

On the 24 December 2020 the Council Executive Group (delegated from Council to approve the termination) provided final approval of the termination.

KEY SUMMARY

The Council Executive Group provided final approval of the termination of the partnership on the 24 December 2020.

Under the Project Deed, UOW had an express right to voluntarily terminate the Project Deed at any time.

UOW elected to terminate the project due to:

- Occupancy falling well below base case estimates.
- Base case rental assumptions well in excess of market rates.

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[1] Extracted from Exhibit 72, ICAC Operation Scandi: Item **2.2,** 02/24 Finance and Infrastructure Committee Meeting - 10 May 2024 - Strategic Items 66, pp. 65-66. UOW Document No.: D11101422, Ref. E25-0175-AS-02---2-PR-0001.

- Considerable cost of underwrite contingent financial support. The underwrite level, exacerbated by COVID-19, could not have been foreseen at commencement of the project.
- Limited capacity due to project deed and unwillingness of partner to restructure project to mitigate excess financial support.
- Post termination the opportunity for UOW to mitigate costs of the project and generate favorable financial outcomes even at lower occupancy levels.

The Project Deed included a formula to determine the termination amount payable by UOW to the Project Company. That amount is made up of specific items, including the amount of debt outstanding and any finance break costs, the value of equity in the Project and also subcontractor break costs.

A total payment of $442.595M was paid to exit the agreement consisting of the following:

Summary of termination payments

$m	
Equity value	116.2
Project senior debt	215.7
Long dated SWAP break cost	110.0
Asset Manager Break cost	0.8
	442.6

To assist in financing this payment, borrowings of $350M were sourced, with those borrowings now subject to the UOW's debt reduction strategy.

The financial summary attached to that approval is included at Table 2 -*Termination Impact Income Statement, Cash Flows and Balance Sheet – 2020 – 2029 (first 10 years)* (refer below).

A comparison of results achieved for the first three years post termination is shown in Table 1 below.

	Actual				Business Case				DELTA			
	2021	**2022**	**2023**	**Total**	**2021**	**2022**	**2023**	**Total**	**2021**	**2022**	**2023**	**Total**
Income	19,378	28,562	34,036	**81,976**	**19,348**	**22,561**	**25,910**	**67,819**	**30**	**6,001**	**8,126**	**14,157**
Expenditure												
MarketView Lease	(263)	(274)	(273)	**(810)**	(263)	(274)	(285)	**(822)**	**0**	**0**	**12**	**12**
Utilities	(1,390)	(1,569)	(1,424)	**(4,384)**	(1,203)	(1,415)	(1,635)	**(4,253)**	**(187)**	**(154)**	**211**	**(131)**
Facilities Management	(2,220)	(3,381)	(4,414)	**(10,016)**	(3,516)	(3,591)	(3,667)	**(10,774)**	**1,296**	**210**	**(747)**	**758**
Operations	0	(639)	(529)	**(1,167)**	0	0	0	**0**	**0**	**(639)**	**(529)**	**(1,167)**
Project Management co	0	0	0	**0**	0	0	0	**0**	**0**	**0**	**0**	**0**
	(3,874)	(5,863)	(6,640)	**(16,377)**	**(4,982)**	**(5,280)**	**(5,587)**	**(15,849)**	**1,108**	**(583)**	**(1,053)**	**(528)**
Interest	(4,992)	(4,992)	(4,992)	**(14,976)**	**(6,642)**	**(6,642)**	**(6,642)**	**(19,926)**	**1,650**	**1,650**	**1,650**	**4,950**
P&L Impact	**10,512**	**17,707**	**22,404**	**50,623**	**7,724**	**10,639**	**13,681**	**32,044**	**2,788**	**7,068**	**8,723**	**18,579**
Capex	(794)	(1,041)	(2,963)	**(4,798)**	(466)	(1,596)	(1,422)	**(3,484)**	**(328)**	**555**	**(1,541)**	**(1,314)**
Acquisition	(442,595)	0	0	**(442,595)**	(466,000)	0	0	**(466,000)**	**23,405**	**0**	**0**	**23,405**
Borrowings*	350,000	0	0	**350,000**	350,000	0	0	**350,000**	**0**	**0**	**0**	**0**
Asset Sale	20,000	14,000	0	**34,000**	8,000	0	0	**8,000**	**12,000**	**14,000**	**0**	**26,000**
Net	(62,876)	30,666	19,440	**(12,770)**	**(100,742)**	**9,043**	**12,259**	**(79,440)**	**37,866**	**21,623**	**7,181**	**66,670**

Table 1 – detail of actual results compared to termination business case – 2021 to 2023.