Agenda

• Strategic context
• Finance strategy
• Borrowing objectives
• Decision making process
• Financing programme
• Risk management
• Working with advisors
• Key observations & learnings
• Questions
To ensure that our campus offers exceptional facilities for students and researchers

- More than £500m will be invested in the campus in the period 2015-2020, including:
  - Major refurbishment projects in Engineering, Medicine & Health, Libraries, and Students Union building
  - Plans for an Innovation and Enterprise Centre, and Integration of Engineering & Physical Sciences
  - Investment in technology platforms
  - Improvements to the student residences

To attract, retain and develop the very best people

- More than £100m investment in the academic community over 5 years including significant investment in:
  - PhD studentships
  - Early career academic fellows
- Increasing the volume, quality and impact of our research
- Maintaining excellence in Student Education
Strategic Context:
Robust financial position to build upon

- Strong income, surplus & cash generation
- Very strong balance sheet; significant and growing asset base, high levels of liquidity
- Low gearing & conservative financial profile
- Well-funded local pension scheme (pre Brexit!)
- History of exceeding our financial plans
- Clear strategic plan and improvement targets
- Strong governance, planning process and capital investment appraisal process

£130m
2014/15 cash and short-term investments

£782m
2014/15 net assets

£620m
2014/15 total income excluding exceptionals (2013/14: £587m)

£42m
2014/15 underlying operating surplus (2013/14: £39m)

£130m
2014/15 cash and short-term investments

£782m
2014/15 net assets
• Established a cash generation target that provides enough resource to meet our long-term investment needs

• Recognises that borrowing will be necessary to meet our capital needs

• Established a finance strategy for student residences that is clear about the level of debt that we are prepared to take in this area

• Low appetite for financial risk – must maintain a low risk profile

Agreed with our Executive and Governing Body
Borrowing included in our plans for last 3 years

Kept close to developments in traditional loan financing and capital markets over this period

Relationships with the banks was key in understanding developments

Quantum of the debt has evolved over the 3 years – fixed at £250m

Mid 2015 appointed advisors to formally review options and make a recommendation
Borrowing objectives

- Funding long-dated to avoid re-financing risk
- Full amount raised at the outset to provide certainty over quantum, pricing and terms
- Maintain a conservative risk profile – reviewed forecasts including downside scenarios + review of debt capacity
- Low cost
- Minimal ongoing obligations
Decision making process

- Borrowing included in long-term planning – executive and governing body accepted the need to borrow

- Subject to challenge through the planning process including stress testing of the debt level

- Kept close to developments in capital markets and traditional debt - regular updates to our governing body covering options and our approach

- Formal proposal & approval including assessment of financing options against our objectives - detailed review with our advisors by a sub-committee of Council

- Implementation decision making delegated to senior executives
Decision making: Options Considered

Assessed each against our objectives and specifically considered:

- Size of borrowing
- Term
- Cost – Interest / cost of carry / upfront cost / break costs
- Capital repayment profile
- Covenants
Financing programme

- Appointed debt advisor: May 2015, started work in July
- Governing body approval: September 2015
- Appoint lawyers / bookrunners: October / November 2015
- Credit rating: 10-13 weeks - December 2015
- HEFCE approval: January 2016
- Bond Prospectus - 6-10 weeks: January 2016
- Investor Presentation - 5-6 weeks: February 2016
- Issue Bond: February 2016

TOTAL PROCESS TOOK 7 MONTHS
Risk Management

- Market risk – concern that a delay to the process could restrict our investment plan - arranged traditional debt to bridge in case of significant delay.

- Cashflow risk – during period of significant investment

- New borrowing increases the focus on the University’s performance including financial elements – this has increased the rigour around our planning process (which was already high).

- Cost of carry – minimised through timing of borrowing and review of treasury policy.

- Significant investment plans – review investment appraisal process / strategic reporting / business change capability
Working with advisors

- Appointed debt advisor / 2 lawyers / 3 bookrunners

- Debt advisor - key appointment – need an advisor with significant experience of the process to guide you / coordinate other advisors / challenge your approach & other advisors!

- Lawyers – split the role between areas that required local support (e.g. risk factors / description of the University) & more technical areas which were coordinated from London

- Bookrunners – appointed 3 banks, through a process led by our debt advisor

We underestimated the time it would take to prepare the documentation.
Key observations & learnings

- Must be driven by your organisation’s strategy & you must be able to tell your story!

- We significantly underestimated the resource and time to prepare the rating presentation, investor presentation and prospectus

- Engage with your governing body and executive team – ease approval and involvement in rating / investor interaction

- Plan ahead and communicate! There are many parties involved – 2 lawyers / 3 bookrunners / debt advisor / auditors / rating agency / HEFCE / Existing lenders / VC & other senior colleagues
Key observations & learnings

- Make sure you’ve got enough internal resource – advisors can often move quicker than us & there will be unexpected issues (e.g. FRS102)

- Review your treasury policy – you must have somewhere to put the money!

- Timing is (nearly) everything!
  
  Pricing relative to gilts plus market volatility

- Have a plan B!
Successful inaugural £250m 34 year bond

Positive investor feedback with strong support from high quality investors

3.125% coupon - the second lowest ever achieved in the public market by a UK university
Questions ?