



End of financial year presentation  
For the year ended 31 March 2019



**STENPROP**

# Agenda



Introduction and highlights

Paul Arenson **CEO**

Financial results

James Beaumont **Interim CFO**

Portfolio update

Julian Carey **Executive Property Director**

Outlook and conclusion

Paul Arenson **CEO**

Questions & Answers



## Transition milestones for FY19 all achieved

**£248m**  
of non-MLI sales,  
all at or  
above valuation

**£104m**  
of MLI acquisitions

MLI increased to  
**43%** from 20%  
of the total  
Stenprop portfolio

LTV reduced to  
**44%\***  
from 49%

Largely exited our third  
party asset  
management business

## Financial results in line with guidance

Full year dividend  
per share of **6.75p**

Fully covered by property  
earnings of **6.79p**

## Milestones set for FY20

- ▶ Sell **£140m** of non-MLI
- ▶ Acquire **£95m** of MLI
- ▶ Reduce leverage to no more than **40%** LTV
- ▶ Invest further in operating platform



\* Cash reserves at year end totalled £59.2m, including £8.7m of restricted cash. When unrestricted cash is added to this measure overall LTV was 36%. Free cash available for MLI acquisitions at year end amounted to £35m.

# Financial highlights for the year ending 31 March 2019



FY19 Diluted adjusted EPRA earnings per share

**8.84p ▼ 2.75%**

6.79 pence - Property income

2.05 pence - Management income

Final dividend per share

**3.375p**

with scrip alternative and matching buyback programme

Full year dividend per share

**6.75p**

Diluted EPRA NAV per share

**£1.41**

(unchanged)



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Dividend yield on current share price<sup>1</sup>  
(annualised)

**6.0%**

All in cost of debt

**2.46%**

LTV  
31 March 2019

**44.2%<sup>2</sup>**

Weighted average debt maturity

**3.0 years**

<sup>1</sup> Based on a share price of £1.13

<sup>2</sup> Cash reserves at year end totalled £59.2m, including £8.7m of restricted cash. When unrestricted cash is added to this measure overall LTV was 36%. Free cash available for MLI acquisitions at year end amounted to £35m.

# Portfolio valuations at 31 March 2019



*In GBP – vs 31 March 2018 values \**

Total  
▲ **0.8%**  
1.8% values  
- 1.0% currency

United Kingdom  
▲ **3.4%**

Germany  
▼ **1.8%**  
0.4% values  
-2.2% currency

Switzerland  
▲ **3.2%**  
0.1% values  
3.1% currency

Only one property valued in CHF remaining

*\* On a like-for-like basis, excluding the impact of acquisitions and disposals. Refer to Slide 28 for more detail on value movements*



LTV  
31 March 2018

**49.2%**

LTV  
30 September 2018

**47.3%**

LTV  
31 March 2019

**44.2%**

All in cost of debt

**2.46%**

All in cost of debt  
Excluding assets held for sale

**2.49%**

Weighted average  
debt maturity

**3.03 years**

Excluding assets held for sale

Revolving credit facility

**£50m**

to facilitate new MLI acquisition  
while selling non-MLI assets.  
Incurs no non-utilisation fees

Target LTV

31 March 2020

**40%**



Cuckoo Road Business Park, Birmingham, UK

## UK portfolio

- ▶ £262m MLI – 60 estates across the UK\*
- ▶ £58m Trafalgar Court, Guernsey, majority let to Northern Trust for 9 years
- ▶ £13m in four single let industrial units
- ▶ £8m in a high-tech Industrial building in Reading
- ▶ £4m in three retail units

**£345m**



## German portfolio



Bleichenhof, Hamburg, Germany

- ▶ £127m in Bleichenhof – Core Hamburg city centre building comprising offices, retail and parking
- ▶ £68m comprised of three daily needs, food-anchored centres in central Berlin
- ▶ £23m in five retail warehouses
- ▶ £34m in four care homes

**£251m**



## Swiss portfolio

We have one leisure centre remaining in Lugano, Switzerland, with a value of £16m

**£16m**



All non-MLI assets are performing to business plan and will be sold over the next few years as Stenprop transitions to 100% MLI

\* MLI comprises 43% of the portfolio as at March 2019.



## Disposals



- ▶ Euston House, London, UK
  - Sale price: £95.0m
  - Valuation: £80.5m
  - Date: March 2019



- ▶ ALDI Portfolio, Germany
  - Sale price: £31.9m
  - Valuation: £31.0m
  - Date: December 2018



- ▶ Swiss Portfolio, Switzerland
  - Sale price: £79.2m
  - Valuation: £78.9m
  - Date: July 2018



- ▶ Argyll Street, London, UK (50% share)
  - Sale price: £41.7m
  - Valuation: £41.7m
  - Date: June 2018

## Acquisitions



### ▶ Individual MLI Acquisitions

- Gross Purchase Price\*: £38.3m
- Total sq ft: 524,500 \*\*
- Gross Capital Value psf: £69 psf
- Purchase Yield: 7.3%
  
- Y/E Valuation: £36.4m
- Dates: April 2018 – March 2019



### ▶ The Pegasus Portfolio

- Gross Purchase Price: £72.1m
- Total sq ft: 1,160,000 \*\*
- Capital Value psf: £59 psf
- Purchase Yield: 6.8%
  
- Y/E Valuation: £66.5m
- Date: December 2018



\* Gross purchase price includes purchase price plus all acquisition costs including stamp duty  
 \*\* Excludes long leasehold units which are sold off on long leases but where the freehold is owned

## Bleichenhof – Value £127m

- ▶ Based on current income, this asset comprises:
  - 39% parking, let to national car park operator, Apcoa
  - 41% multi-let offices
  - 12% food/restaurant/leisure
  - 8% other retail
- ▶ It is situated on a 7,600 m<sup>2</sup> site in the core of Hamburg City Centre
- ▶ Approximately 2,600 m<sup>2</sup> is undergoing re-positioning into a focused food court area partly overlooking the canal and partly abutting on to a new piazza area created by the recent redevelopment of the adjoining office buildings. 12 new units have been created of which 10 are now signed as pre-lets.
- ▶ We expect the works to all be complete by October 2019 and for all units to be let and open for trade by January 2020.
- ▶ Based on a recent report received from our engineering consultants, the Directors have decided to reduce the valuation of the property to take account of c. €7m of projected costs associated with remedial structural works required to the car park.
- ▶ The property is held on a long leasehold to the City Council of Hamburg with 43 years remaining and no requirement for ongoing annual payments. The detail of the leasehold structure has been taken into account by the valuers.



Bleichenhof, Hamburg

# European Asset Management



## Three daily needs centres in Central Berlin – Value £68m

- ▶ These are running at virtually full occupancy.
- ▶ A number of asset management initiatives are ongoing to extend leases which are nearing expiry. These will enhance the appeal of the assets to a potential purchaser.
- ▶ Current rents are all at or below market rents.

## BOC retail warehouse portfolio, Germany – Value £23m

- ▶ Agreement has very recently been reached to extend all BOC leases for a further ten year period, subject to legal documentation.
- ▶ The rents will be rebased to a market rent level in return for ten year lease extensions. There should be no adverse impact on value as the longer leases will compensate for the lower rent.

## Carehome Portfolio, Germany – Value £34m

- ▶ These are all fully let and there are no material matters to report.

## Lugano, Switzerland – Value £16m

- ▶ This asset is fully let and being prepared for sale.



Neukölln, Berlin



Bike & Outdoor Company, Frankfurt, Germany



Elysson Desau Care Home, Luxembourg

# Non-MLI UK Asset Management



## Trafalgar Court, Guernsey, Channel Islands – Value £58m

- ▶ Fully let to Northern Trust (9.5 years unexpired) and Aztec Financial (4.25 years unexpired).
- ▶ 74% of the income is secured against Northern Trust.
- ▶ Potential asset management opportunity to restructure the existing leases and reposition the asset as a multi-tenanted property.



Trafalgar Court, Guernsey

## Single-let Industrial Investments and Regional Office – Value £22m

- ▶ 4 single let industrial assets with tenants including Siemens, John Menzies and Booker, and 1 office building let to Thames Water
- ▶ Weighted unexpired lease term of 2.5 years to lease expiry
- ▶ Asset management opportunities to re-gear leases to existing tenants over the next 12-24 months



Ashby de la Zouch, United Kingdom

## Retail Investments – Value £4m

- ▶ Three high street retail investments let to New Look, Poundland, Pure Gym and B&M
- ▶ As at June 2019 two of the three properties are under offer to prospective purchasers
- ▶ Terms are agreed on the remaining property for a new 5 year lease



Walsall, United Kingdom



<b>4,004,723</b> sq ft	<b>1,072</b> Units
<b>60</b> Assets	<b>761</b> Tenants

Note: Excludes long-leasehold units and tenants

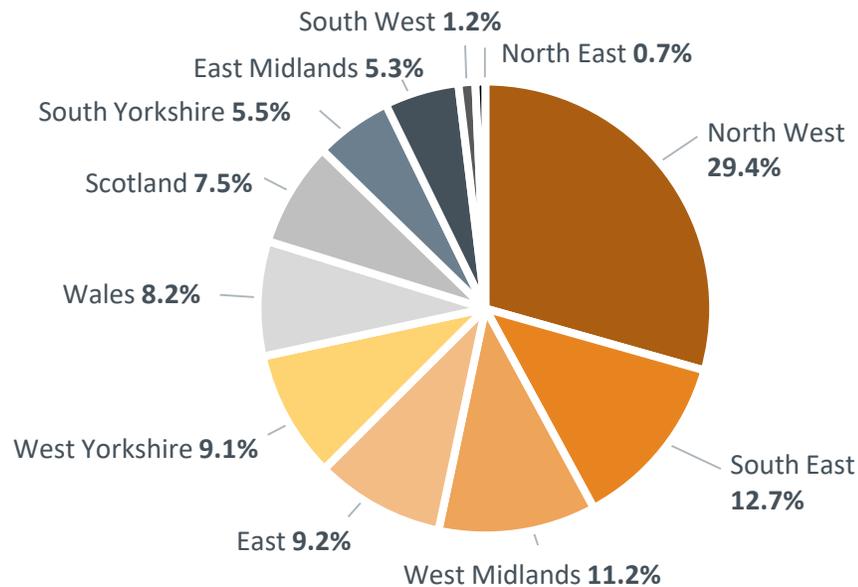
Current Passing Rent	£18,180,366	£5.06 psf
Contractual Rent <sup>1</sup>	£18,752,407	£5.22 psf
Estimated Rental Value (ERV) at 100% occupancy	£21,768,131	£5.44 psf
Current Vacancy <sup>2</sup>	230,197 sq ft	6.1%

Notes:

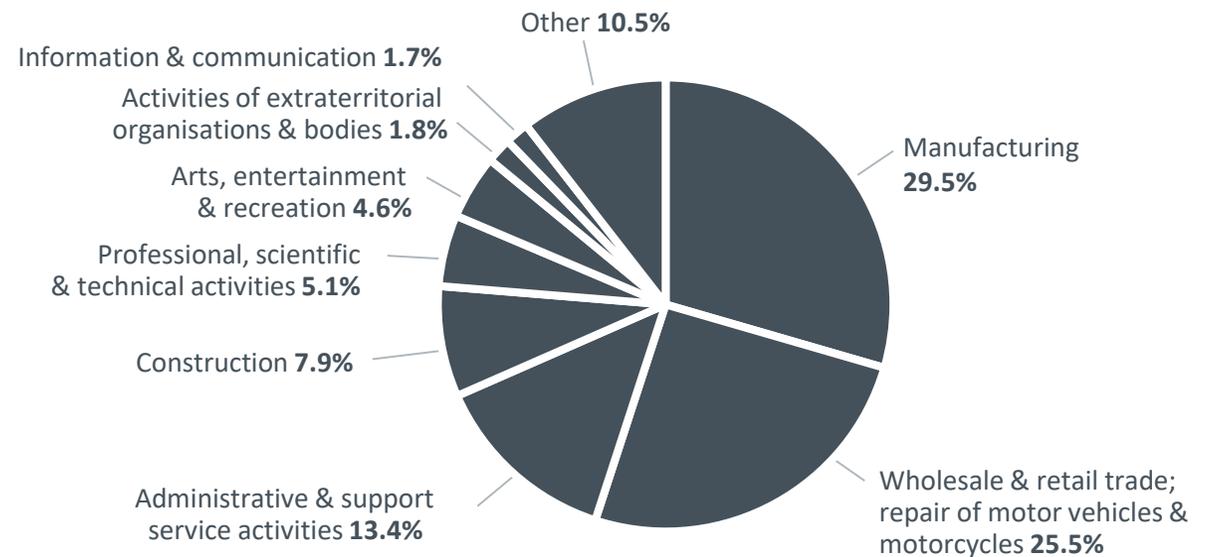
<sup>1</sup> Contractual rent includes contracted uplifts contained in existing leases over period of lease.

<sup>2</sup> This excludes the vacant space at Coningsby Park, Peterborough which was purchased in December 2017 and is currently undergoing refurbishment and hence is not available to let. If this included then total vacancy is 409,586 sq ft, reflecting 10.2%.

## Geographic Breakdown by Area



## Tenant Business Breakdown





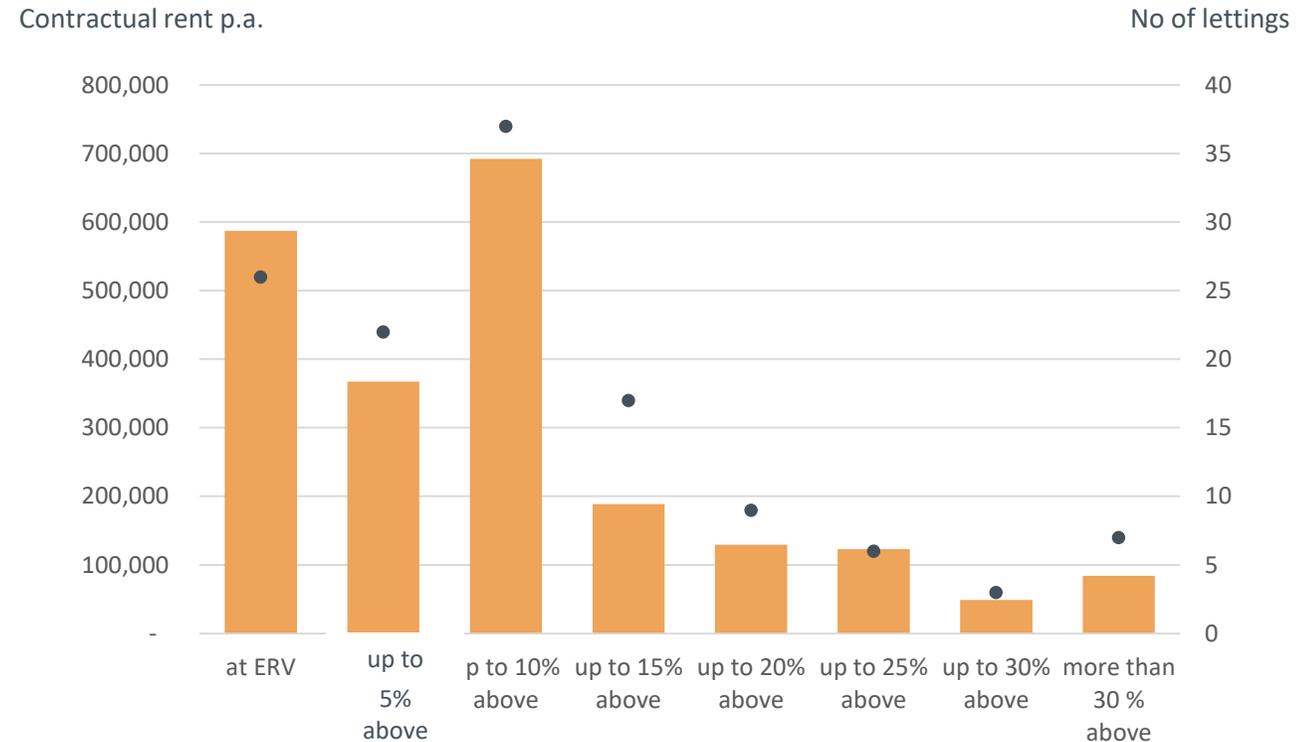
## 12 months from 31<sup>st</sup> March 2018 to 31<sup>st</sup> March 2019

▶ 78 new lettings (£1.1m p.a. of contractual rent) at an average 13% above previous passing rent

▶ 48 lease renewals / regears (£0.8m p.a. of contractual rent) at an average 22% ahead of previous passing rent

▶ The average letting / renewal is 3.3 years contractual term certain, with an average rent free period granted of 1.2 months

▶ As at 31 March 2019 there were 71 units under offer to let (£1.5m p.a. of rent) at an average contractual rent of £5.48 psf



The contractual rent on the 25 MLI estates purchased on 30 June 2017 increased by 5.0% in the 12-month period ending 31 March 2019



## Technology

- ▶ Online leasing portal in development to reduce friction and costs in the leasing process
- ▶ Extensive use of CRE technology products including VTS (leasing), Coyote (investment) and Realla (marketing)
- ▶ Development of a single platform from which we can offer multiple products and services

## Leasing strategy

- ▶ Reduce complexity and enhance speed in the leasing process.
- ▶ 3 page 'Plain English' lease, revised lease structures, simplified procedures
- ▶ Recruitment of 'on-the-ground' Customer Service Managers

## Marketing

- ▶ Industrials.co.uk website has over 150,000 page views per annum
- ▶ Appointment of dedicated Marketing Manager
- ▶ Focus on customer retention and service

## Objective

The purpose of these innovations is to minimise void periods, maximise efficiencies by reducing gross to net leakage





## Current share metrics

Diluted EPRA NAV / share

**141p**

(as at 31 March 2019)

Current share price

**113p**

(as at 4 June 2019)

Annualised dividend yield  
on share price

**6.0%**

Annualised earnings yield  
on share price

**7.9%**

## Top 10 Shareholders

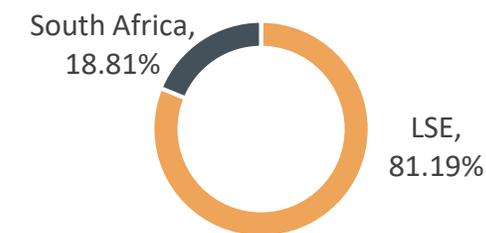
% holding as at  
31 March 2019

Directors	7.98
Zarclear Holdings Limited (listed on JSE)	7.15
Investec Wealth	4.99
Lombard Odier Darier Hentsch	4.29
Public Investment Corporation (PIC)	4.18
36ONE Asset Management	4.09
Thames River Capital	3.51
LIM Advisors	3.20
Stenham Asset Management	2.27
Premier Asset Management	2.02
<b>Total</b>	<b>43.68</b>

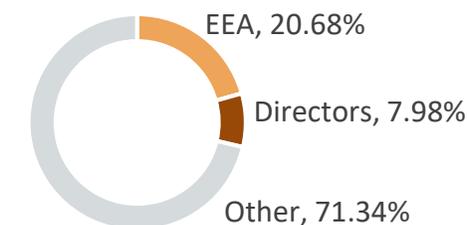
## Trading volumes

	Monthly average trade	Daily average trade
LSE	6,117,273	290,043
JSE	5,691,667	269,960

## Stock Exchange Split



## Holding by region



No. of shareholders: 1,862



## Executive Directors

**Paul Arenson**  
Chief Executive  
Officer

**James Beaumont**  
Interim Chief  
Financial Officer

**Julian Carey**  
Executive Property  
Director

## Non-Executive Directors

**Richard Grant**  
(Chairman)

**Phil Holland**

**Patsy Watson**

**Paul Miller**

**Warren Lawlor**

### Asset Management

Department Head:  
**Simon Ross**

- ▶ 3 Asset Managers
- ▶ 1 Team Assistant
- ▶ 1 Regional Customer Engagement Manager

### Investments

Department Head:  
**Will Lutton**

### Finance

Department Head:  
**James Beaumont**

- ▶ 3 Finance Managers
- ▶ 1 Assistant accountant
- ▶ 1 Regional Head of Financial Operations

### Operations

Department Head:  
**James Wakelin**

- ▶ **Financial Planning:**  
2 Analysts
- ▶ **Technology:**  
1 Tech Platform Manager
- ▶ **Marketing:**  
1 Marketing Manager

### Legal and HR

Department Head:  
**Sarah Bellilchi**

- ▶ Legal Counsel



## Executive Directors

**Paul Arenson**  
Chief Executive Officer

**James Beaumont**  
Interim Chief Financial Officer

**Julian Carey**  
Executive Property Director

## Non-Executive Directors

**Richard Grant**  
Independent  
Non-Executive Chairman

### Committees

- ▶ Audit & Risk
- ▶ Nominations (chairman)
- ▶ Remuneration
- ▶ Social & Ethics

**Paul Miller**  
Senior Independent  
Non-Executive Director

### Committees

- ▶ Audit & Risk
- ▶ Nominations
- ▶ Remuneration (chairman)

**Phil Holland**  
Independent  
Non-Executive Director

### Committees

- ▶ Audit & Risk (chairman)
- ▶ Nominations
- ▶ Remuneration
- ▶ Social & Ethics (chairman)

**Warren Lawlor**  
Non-Executive Director

### Committees

- ▶ Remuneration

**Patsy Watson**  
Non-Executive Director

### Committees

- ▶ Nominations



Stenprop's objective remains to deliver sustainable and growing income to shareholders covered by property related earnings

On track to achieve two year interim transition to at least 60% MLI and no more than 40% LTV

Intention to become 100% MLI thereafter

Achieving strong rental growth on the MLI portfolio and expect this to continue, based on market fundamentals

Intention to build a market leading asset management platform to deliver added efficiencies and capabilities to offer additional products and services to customers





Q&A



STENPROP



Appendix A  
Additional Financial Information

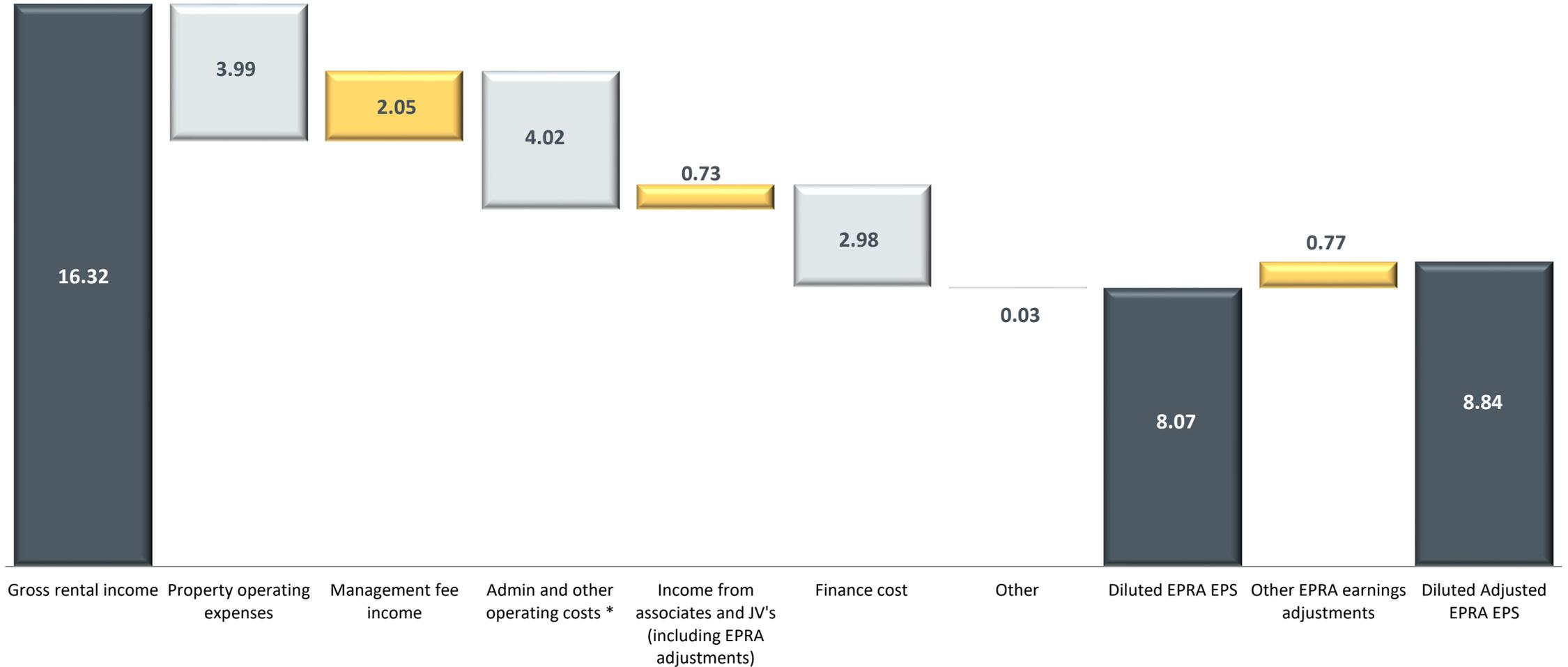


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# EPRA earnings per share (pence)



Year to 31 March 2019

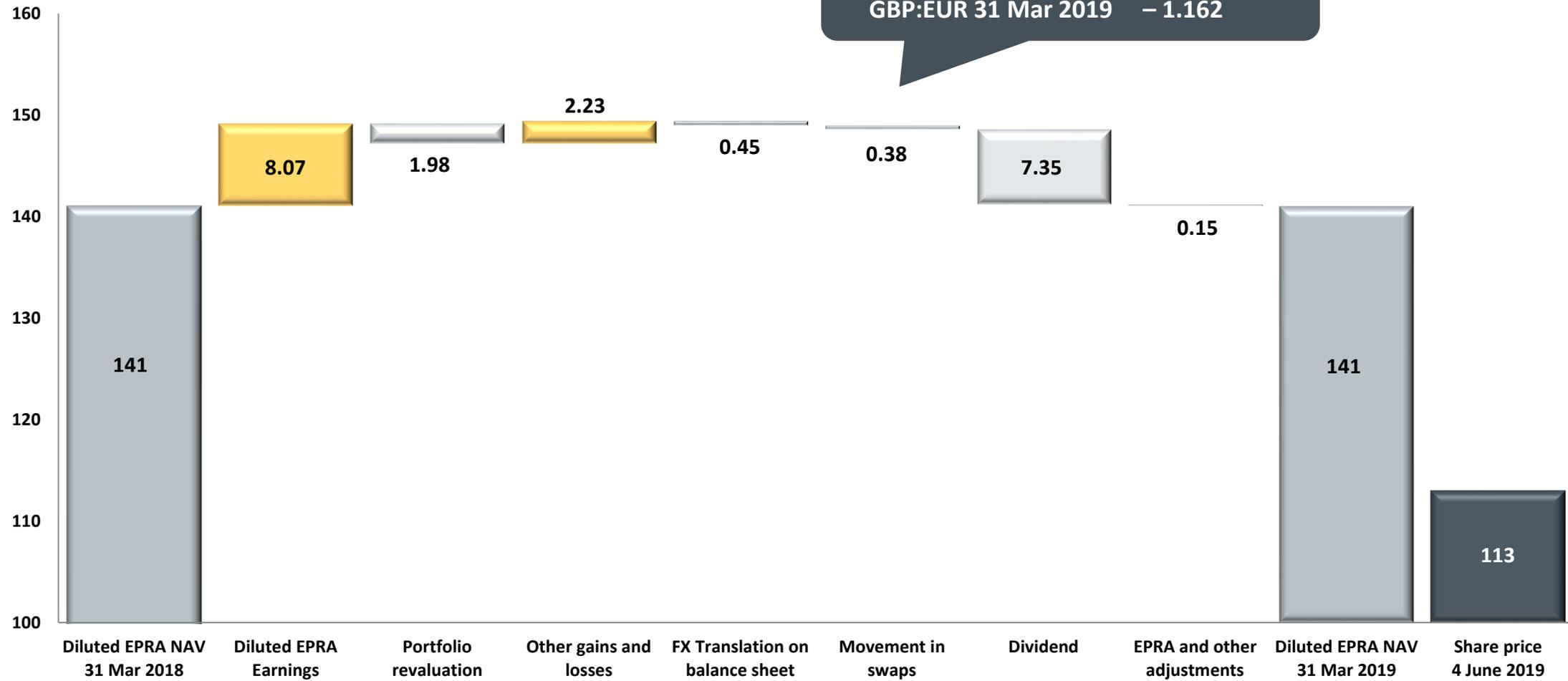


\* Includes one-off REIT, listing costs, and significant abort costs relating to a potential portfolio acquisition, reversed out in 'Other EPRA earnings adjustments'

# NAV movement 31 March 2018 to 31 March 2019



Pence per share



GBP:EUR 31 Mar 2018 – 1.137  
 GBP:EUR 31 Mar 2019 – 1.162

# Income Statement and Earnings



	Year ended 31 March 2019 £m	Year ended 31 March 2018 £m
Net rental income*	35.3	37.3
Management fee income	5.8	5.1
Operating costs*	(11.5)	(8.9)
<b>Net operating income</b>	<b>29.6</b>	<b>33.5</b>
Income from Investment in associates/joint ventures (excl. fair value gains)	2.1	2.9
Net finance costs*	(8.5)	(10.2)
EPRA adjustments and other items*	2.0	(0.4)
<b>Adjusted EPRA earnings</b>	<b>25.2</b>	<b>25.8</b>
Diluted Adjusted EPRA EPS	8.84 cents	9.09 cents
<b>Annualised</b>	<b>Earnings Yield</b>	<b>Dividend Yield</b>
Current share price (£1.13)	7.9%	6.0%
EPRA NAV (£1.41)	6.3%	4.8%

\* Includes assets held for sale



Contribution of  
**2.05p**  
in FY19

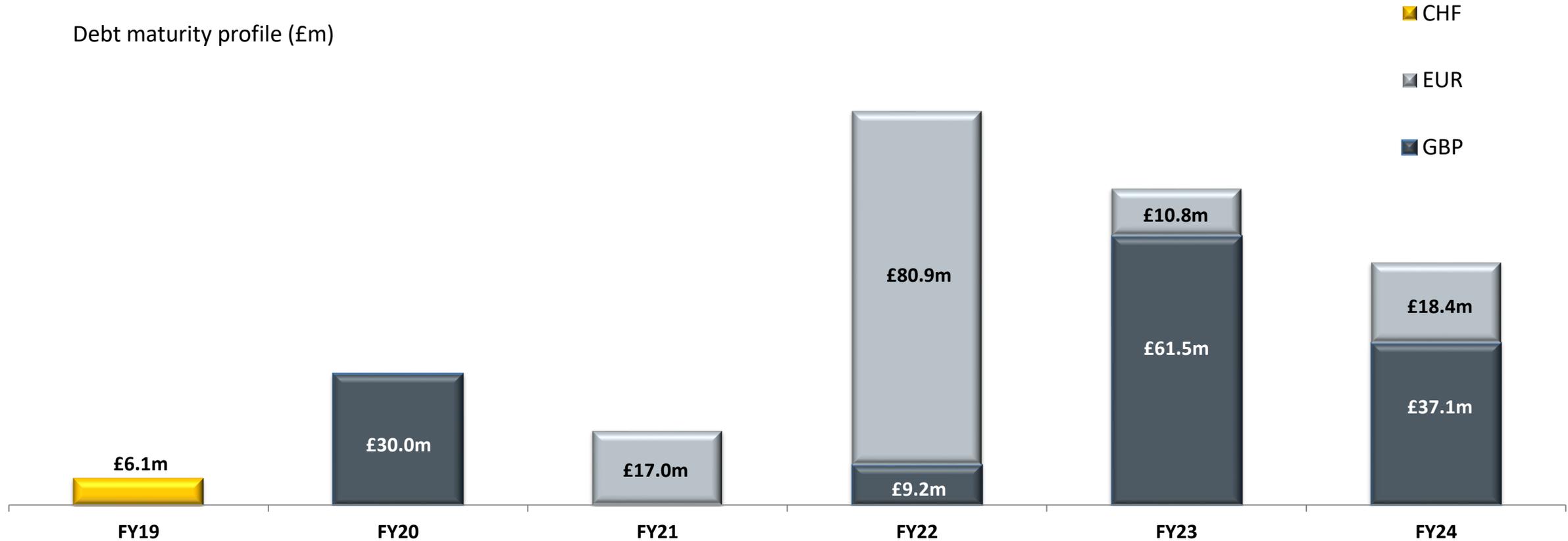
Reducing to  
**insignificant levels**  
by FY20

With focus on MLI,  
**no intention**  
to pursue further  
**management fee**  
opportunities

# Debt maturity (£m)

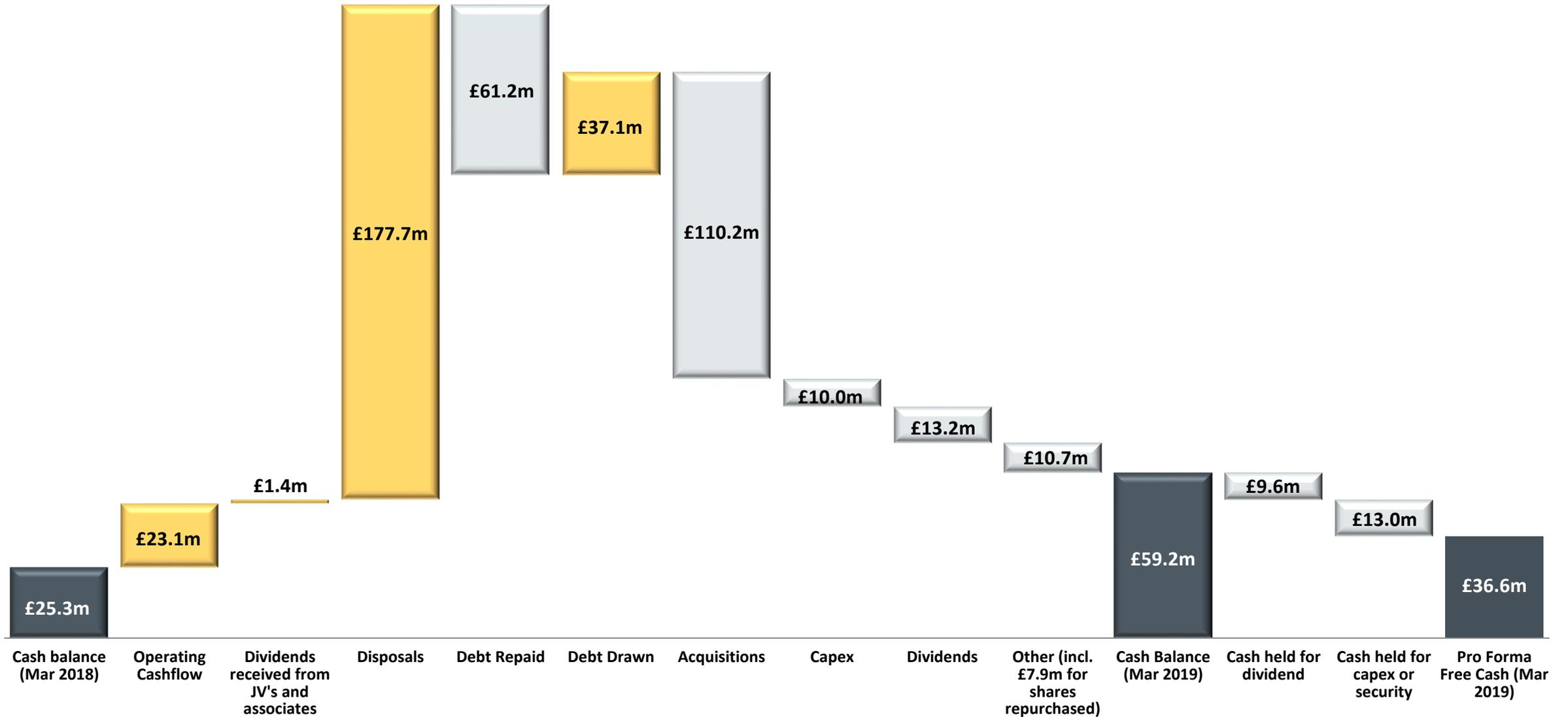


Debt maturity profile (£m)



\* FY19 consists entirely of the Lugano asset which is financed on a rolling term, and will be paid back only when sold.

# Cashflows



# Debt summary 31 March 2019



Property/Portfolio	Property Value £m	Loan Value £m	Loan to Value	Contracted interest rate <sup>1</sup>	Weighted average duration to expiry (years)
United Kingdom	345.4	(137.7)	39.9%	3.25%	3.03
Switzerland <sup>1</sup>	16.2	(6.1)	37.8%	1.15%	0.00
Germany	217.4	(108.6)	49.8%	1.64%	2.73
On balance sheet total	579.0	(252.4)	43.5%	2.52%	2.83
Joint venture debt					
Care Homes Portfolio (100%)	33.9	(18.3)	54.4%	1.82%	4.75
<b>Portfolio Total</b>	<b>612.9</b>	<b>(270.7)</b>	<b>44.2%</b>	<b>2.46%</b>	<b>2.96</b>
Less minority interests	(6.5)	3.7			
<b>Portfolio Total (excluding minorities)</b>	<b>606.4</b>	<b>(267.0)</b>	<b>44.1%</b>	<b>2.47%</b>	<b>2.96</b>

1. Includes properties held for sale

# Valuation movement



Property/Portfolio	Percentage Ownership	Market Value 31 March 2019 (million)	Market Value 31 March 2018 (million)	Change %
<b>United Kingdom - £</b>				
GGP1 Portfolio	100%	£ 21.7	£ 20.4	6.4%
Davemount Portfolio	100%	£ 4.4	£ 6.6	(33.3%)
Trafalgar Court	100%	£ 57.8	£ 59.9	(3.5%)
UK MLI	100%	£ 158.6	£ 147.8	7.3%
UK Sub-Total		£ 242.5	£ 234.7	3.4%
<b>Switzerland – CHF</b>				
Lugano	100%	F 21.0	F 20.9	0.1%
Swiss Sub-Total		F 21.0	F 20.9	0.1%
<b>Germany - €</b>				
Bikemax Portfolio	100%	€ 26.5	€ 27.7	(4.3%)
Bleichenhof	94.9%	€ 147.4	€ 148.8	(0.9%)
Hermann Quartier	100%	€ 25.0	€ 23.6	5.9%
Neukölln	100%	€ 22.5	€ 21.9	2.7%
Care Homes Portfolio	100%	€ 39.4	€ 39.3	0.3%
Victoria Centre	100%	€ 31.2	€ 29.7	5.1%
Germany Sub-Total		€ 284.5	€ 283.4	0.4%
<b>Properties disposed during period</b>		<b>Sales Price</b>		
Argyll Street	50%	£ 83.4	£ 83.4	0.0%
Swiss assets	100%	F 103.7	F 103.2	0.4%
Aldi portfolio	100%	€ 35.8	€ 32.8	9.1%
Euston House	100%	£ 95.0	£ 79.6	19.3%
<b>Properties acquired in the year</b>				
MLI (30 properties)	100%	£ 102.9	-	-

# Financial summary



Property/Portfolio	Ownership	Loan Value (£m)	Property Value (£m)	Gearing (LTV)	Contractual Rent <sup>1</sup> (£m)	Net initial yield
<b>UK</b>						
UK MLI	100%	(98.5)	261.5	38%	18.2	6.26%
Davemount Portfolio	100%	(4.0)	4.4	91%	0.8	14.66%
GGP1 Portfolio	100%	(5.2)	21.7	24%	1.7	7.39%
Trafalgar Court	100%	(30.0)	57.8	52%	4.3	7.01%
UK Sub-Total		(137.7)	345.4	40%	25.0	6.56%
<b>SWISS</b>						
Lugano	100%	(6.1)	16.2	38%	1.2	5.68%
Swiss Sub-Total		(6.1)	16.2	38%	1.2	5.68%
<b>Germany</b>						
Bikemax Portfolio	100%	(10.8)	22.8	48%	1.8	6.85%
Bleichenhof	94.9%	(73.1)	126.9	58%	5.2	3.24%
Neukölln	100%	(7.7)	19.4	40%	1.2	5.37%
Hermann Quartier	100%	(8.1)	21.5	38%	1.2	4.85%
Victoria Centre	100%	(8.9)	26.9	33%	1.5	4.38%
Germany Sub-Total		(108.6)	217.5	50%	10.8	4.11%
<b>Associates and joint ventures</b>						
Care Homes Portfolio	100%	(18.3)	33.9	54%	2.4	6.04%
<b>Portfolio Total</b>		<b>(267.0)</b>	<b>613.0</b>	<b>44%</b>	<b>39.3</b>	<b>5.64%</b>

GBP:EUR exchange rate of 1.162 and a GBP:CHF exchange rate of 1.297

1. Excludes potential rent on vacant space

# Debt summary



Property/Portfolio	Property Value (Local currency)	Loan Value (Local Currency)	Gearing (LTV)	Margin	Swap (fixed rate)	Negative interest rate impact	All in rate	Annual interest expense	Amortisation per annum	Loan Maturity
<b>UK - £m</b>										
UK MLI	261.5	(98.5)	38%	2.18%	1.02%	-	3.20%	(3.2)	-	2 Jun '22 <sup>1</sup>
Davemount Portfolio <sup>2</sup>	5.8	(4.0)	91%	2.25%	1.21%	-	3.46%	(0.1)	-	26 May '21
GGP1 Portfolio <sup>2</sup>	21.4	(5.2)	24%	2.25%	1.21%	-	3.46%	(0.2)	-	26 May '21
Trafalgar Court	57.8	(30.0)	52%	2.00%	1.35%	-	3.35%	(1.0)	-	31 Mar '20
UK Sub-Total	345.4	(137.7)	40%				3.25%	(4.5)	-	
<b>Swiss – CHFm</b>										
Lugano	21.0	(7.9)	38%	1.15%	0.00%	-	1.15%	(0.1)	(0.2)	N/A
<b>Germany - €m</b>										
Bikemax Portfolio <sup>4</sup>	26.5	(12.6)	48%	1.55%	-	-	1.55%	(0.2)	-	31 Dec '22
Hermann Quartier <sup>4</sup>	25.0	(9.4)	38%	1.13%	0.29%	-	1.42%	(0.1)	-	30 Jun '20
Victoria Centre <sup>4</sup>	31.2	(10.3)	33%	1.28%	0.08%	-	1.36%	(0.1)	-	31 Aug '20
Bleichenhof (94.9%) <sup>3,4</sup>	147.4	(80.6)	55%	1.58%	-	-	1.58%	(1.3)	-	28 Feb '22
Care Homes Portfolio <sup>3</sup>	39.4	(21.4)	54%	1.25%	0.57%	-	1.82%	(0.4)	(0.5)	30 Dec '23
Neukölln	22.5	(9.0)	40%	2.32%	0.48%	-	2.80%	(0.3)	-	31 Dec '21
Germany Sub-Total	292.0	(147.6)	51%				1.82%	(2.4)	(0.5)	

1. RBS debt of £61m matures in June 2022, subsequent RBS loan of £10m matures in June 2023, Lloyds loan of £27m matures in February 2024

2. Debt is cross-collateralised with a combined LTV of 34%

3. 100% interest shown, per balance sheet

4. Fixed rate loan



**Appendix B**  
The Case for MLI



**STENPROP**



**Supply:** MLI supply is static/diminishing due to high build costs (relative to rents) and limited land availability.

**Demand:** Structural change in demand for small business units driven by technology and the internet.

**Rental Growth:** Supply/demand imbalance resulting in strong annual rental growth

**Asset Pricing:** Current marketing pricing for existing MLI investments is c. 50% of replacement cost value

**Platform:** Opportunity to increase efficiency and revenue by using emerging technology, scale and the serviced model

# Features of Multi-let Industrial



## Versatile, flexible, urban, multi-tenanted, diversified income

- ▶ Located in and adjacent to densely populated cities and towns across the UK
- ▶ Purpose built units comprising 5 to 50 units on an estate controlled by owner
- ▶ Unit sizes on each estate typically range from 500 sq ft to 10,000 sq ft with the average being approximately 3,500 sq ft
- ▶ Highly diversified and granular tenant base in terms of company size and sector
- ▶ Predominantly let to UK Small-to-Medium Enterprises (“SMEs”)
- ▶ 3-5 year lease durations
- ▶ Small / medium lot sizes less than £20m per estate
- ▶ Low obsolescence, low capex, high versatility of uses
- ▶ Typical tenant paying c. £18,000 rent p.a. representing between 1% -2% of their turnover



# Best Performing Sector in UK Property



## Long term outperformance against wider commercial property driven by rental income and low ongoing capex

▶ The industrial asset class has outperformed retail and office in terms of total return since 1986

▶ Industrial sector:

– Total return index **2275** over 30 years

▶ Office and retail sectors:

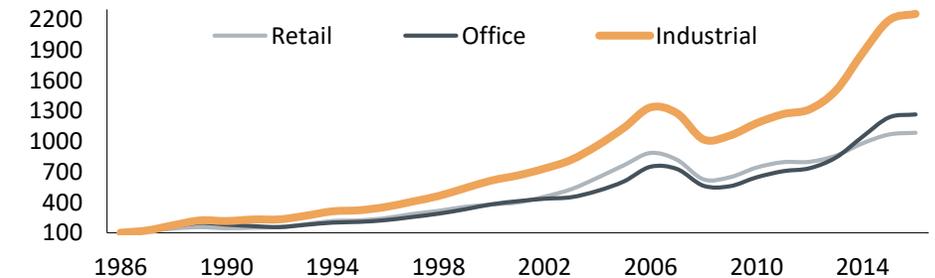
– Total return indices of **1220** and **1290** respectively over 30 years

▶ Industrial property's success is due to consistently higher income returns over the period

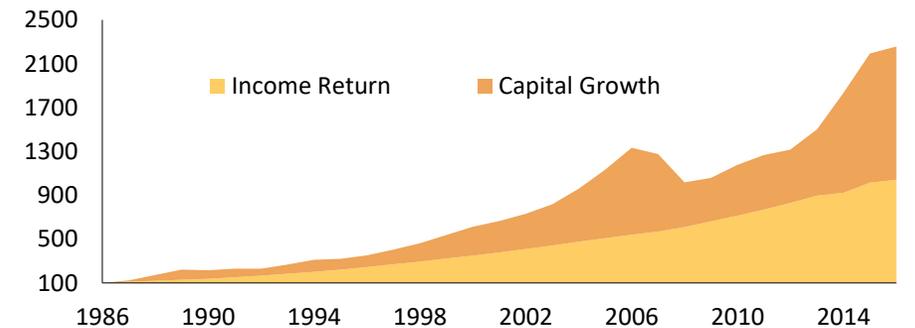
The best performing sector in property over a 30 year period

### Retail, office and industrial sectors total return evolution

Total Return Index (1986=100)



### Industrial sector return evolution



Source: IPD, 2017



## Structural shift in the number and range of occupiers needing to operate from MLI units due to changes in communications technology

### The growth of small business

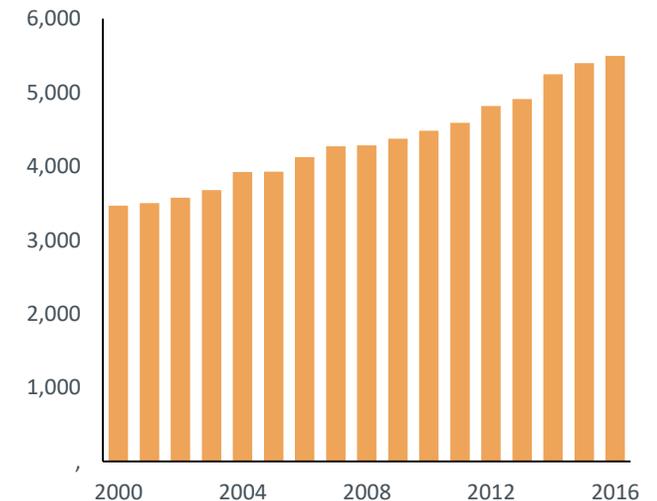
- ▶ The number of SMEs in the UK grew by **59%** between 2000 and 2016
- ▶ SMEs account for **99%** of private sector businesses
- ▶ UK SMEs annual turnover is **£1.8tn** p.a, reflecting **47%** of all private sector turnover, and employ **15.7m** people (c. **60%** of all private sector employees)

### The move away from traditional asset classes

- ▶ Shift of retailers from shops to industrial/online
- ▶ Light industrial units provide flexible accommodation to sell, manufacture, dispatch and/or store goods, all under a single planning permission
- ▶ Click'n'Collect and Last Mile Distribution Networks are developing in urban areas
- ▶ Communication technology facilitating smaller more flexible independent businesses able to access suppliers, customers and other relationships more easily

#### UK private sector businesses

Number of businesses (000s)



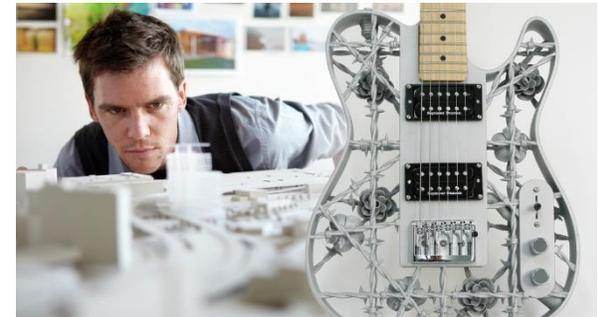
Source: Office for National Statistics



## A structural shift in long term demand for industrial is occurring

### The future

- ▶ The internet continues to make multi-let industrial accommodation increasingly attractive to a wider range of businesses needing functional working space at affordable rent
- ▶ Industrial efficiency gains and new technologies like 3D printing are enabling companies to start 'on-shoring' activities, driving demand for UK manufacturing which would previously have gone abroad
- ▶ Cultural change driven by technology such as driverless cars, big data and virtual reality will drive demand for flexible space near conurbations which can adapt to changing occupational requirements





## Supply constrained and diminishing. Rents need to rise to justify building MLI units.

### Build Costs

- ▶ Real building costs have gone up **74%** in the last 11 years, whilst only in the last 2 years or so have industrial rents started to move up having remained largely unchanged for a decade
- ▶ Industrial development accounts for just **15%** of private commercial construction vs **30%** in 1997
- ▶ In Stenprop's view it is not economically viable to build small unit multi-let estates until rents increase by at least **50%**
- ▶ Build costs are likely to remain high as there is little ability to financially engineer the design to reduce costs

**74%**

Real build cost increase in the last 11 years

**£149 psf** Replacement cost of Industrials portfolio

**£1.1m**

Average UK consented vacant residential land value per acre (excluding Greater London)

**£900k**

Average purchase cost per acre of the Stenprop MLI portfolio

### Land Availability

- ▶ There is little land available in the UK in and around urban areas
- ▶ Most land supply is likely to be allocated to residential uses, or wider employment uses with higher development end values (such as office or single-let industrial units). Approximately 40% of our existing estates (107 acres) are directly adjacent to existing residential properties.
- ▶ MLI supply is inelastic

**c. £8.00 psf**

Estimated rent required to justify new MLI development

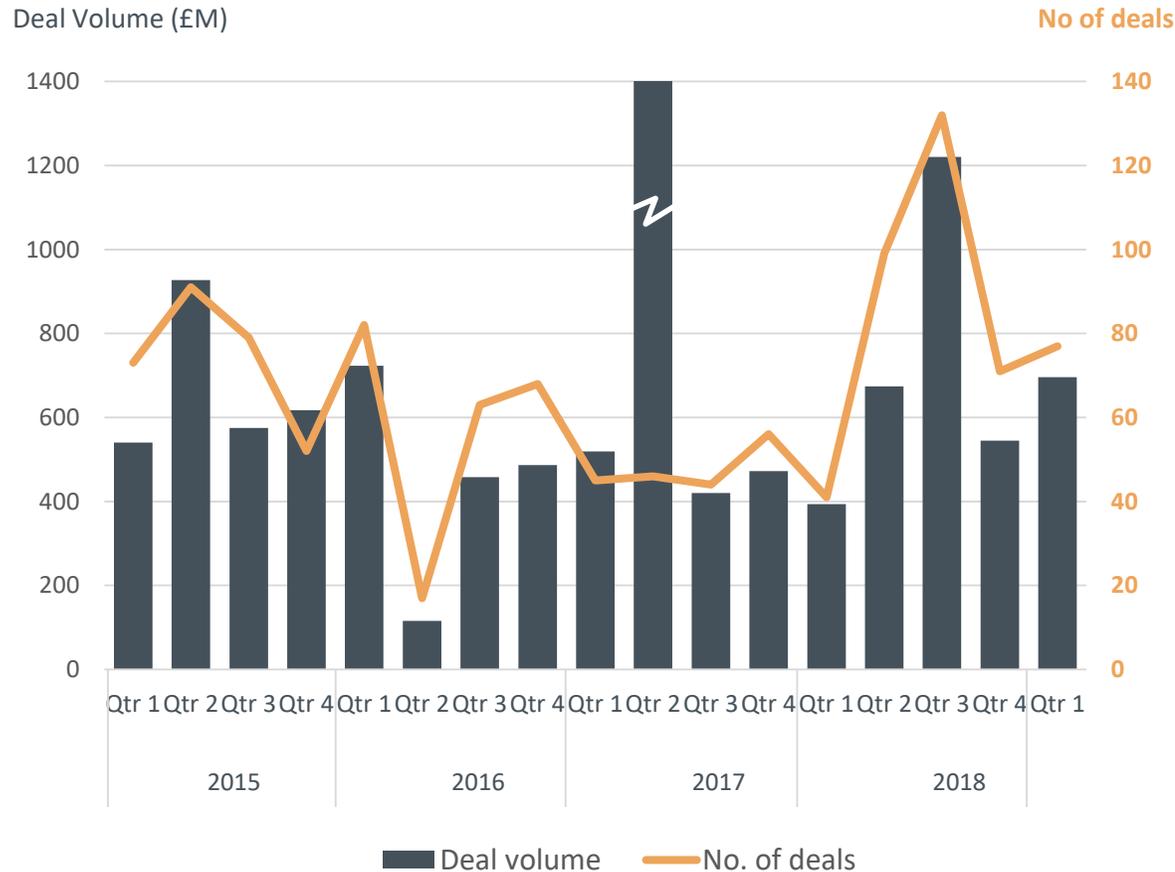
vs

**£5.06 psf**

Average passing rent on our MLI portfolio



## Multi-let Industrial Deal Flow



## Acquisition criteria

- ▶ Purpose-built industrial accommodation
- ▶ Multi tenanted income profile
- ▶ Located within or close to areas of high population density
- ▶ Accessible locations
- ▶ Areas of strong economic activity
- ▶ Acquisition below replacement cost value

Acquisition target of c. £100m p.a. enables disciplined investment



Appendix C  
**General Information**



**STENPROP**

# Historical Snapshot of Stenprop



## ▶ 1995 - 2014

- ▶ In 1995, **Paul Arenson** joins the Stenham Group with the remit to establish a property fund management business
- ▶ **Patsy Watson** joins as Finance Director in 2007. Property under management at Stenham Property exceeds **£2bn**
- ▶ Paul and Patsy take management control of a vehicle listed on the **JSE**, with an existing portfolio of **£27m**, which is re-named Stenprop.
- ▶ Stenham Property investors inject over **£600m** of assets into Stenprop for shares
- ▶ The Stenham Property management company with over **£800m** of third party owned property under management is simultaneously sold to Stenprop.
- ▶ **Paul Arenson** is appointed **CEO** and **Patsy Watson, CFO**

## ▶ 2017

- ▶ Stenprop acquires the **industrials.co.uk** portfolio of 25 MLI estates for **£127m** from Morgan Stanley and C2 Capital JV.
- ▶ It simultaneously acquires **C2 Capital** and its management platform founded by **Julian Carey**
- ▶ **Julian Carey** joins the Board
- ▶ Following the acquisition, MLI comprised **16%** of the portfolio
- ▶ Stenprop announces strategic plans to:
  - ▶ Transition its business into a **100%** focused **UK MLI business**
  - ▶ Reduce overall leverage to below 40%
  - ▶ List on the **LSE**
  - ▶ Convert to a REIT
  - ▶ Dispose of all third party management property
  - ▶ Pay dividends covered by earnings from owned property

## ▶ 2018 - 2019

- ▶ In May 2018 Stenprop converts to a **UK REIT**
- ▶ In June 2018 Stenprop lists on the **LSE**
- ▶ By the end of March 2019 Stenprop owned **60 MLI estates** comprising **over 40%** of the portfolio and **LTV** was **44%**.
- ▶ By the end of March 2019 Stenprop owned **60 MLI estates** comprising over **40%** of the portfolio and LTV was **44%**.
- ▶ Three **Central London** offices sold:
  - Pilgrim Street **£80m**
  - Argyll Street 50% share of **£83m**
  - Euston House sold **£95m**
- ▶ **Germany**
  - Aldi supermarket portfolio sold **£32m**
- ▶ **Switzerland**
  - 12 office/retail properties sold **£79m**
- ▶ Almost all of the third party managed assets sold



## Objectives

## Achieved by 31 March 2019

### Purchases

- ▶ Increase MLI from **20%** to over **40%** of the portfolio

- ▶ MLI increased to **43%** of the total portfolio
- ▶ **30** assets purchased in FY19, totalling **£104m**
  - **8** individual assets valued at **£36m**
  - A portfolio of **22** assets valued at **£68m**

### Sales

- ▶ Sell lower yielding assets to fund MLI acquisitions and deleveraging

- ▶ **£248m** of non-MLI assets sold at valuation or better:
  - 50% share in Argyll Street, **\$42m**
  - Swiss portfolio (12 of 13 assets) **£79m**
  - Aldi portfolio **£32m**
  - Euston House **£95m**  
(against a valuation of £81m)

### Leverage

- ▶ Reduce leverage from **49%** to **below 45%**

- ▶ LTV reduced to 44% following the sale of Euston House
- ▶ Sale proceeds partially used to deleverage, with the balance to be used for further acquisitions in FY 2020.



## Objectives

### Sales and Purchases

- ▶ MLI to comprise at least 60% of total portfolio. Requires purchases of **£95m** of MLI and sales of **£140m** of non-MLI
- ▶ Manage timings of acquisitions and disposals during transition to minimise cash drag and maintain dividend

### Leverage

- ▶ Overall debt to reduce to no more than **40% LTV**
- ▶ Utilise revolving credit facility to balance financing requirements of purchases before sales

### Operating Platform

- ▶ Focus on building out a scalable MLI focused operating platform
- ▶ Embrace further technological solutions to improve operating efficiency



Boaler Street  
Industrial  
Estate

Boaler Street Industrial Estate



STENPROP



## Forward-looking statements

Certain statements made in this document constitute forward-looking statements. Forward-looking statements can be identified by the use of words such as “may”, “will”, “should”, “predict”, “assurance”, “aim”, “hope”, “risk”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or other similar expressions that are predictive or indicative of future events. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company’s expectations, intentions and beliefs concerning, amongst other things, the Company’s results of operations, financial position, growth strategy, prospects, dividend policy and the industries in which the Company operates, are forward-looking statements. By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and its Directors, which may cause the actual results, performance, achievements, cash flows, dividends of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. As such, forward-looking statements are no guarantee of future performance.

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## General notice

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**James Beaumont**  
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