



Financial results presentation  
For six months ended 30 September 2019



STENPROP



Introduction and highlights

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Financial results

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Portfolio and operational update

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Shareholder analysis

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Outlook and conclusion

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Questions & Answers

Appendices

A. Additional Financial Information

B. Asset Management

C. The Case for MLI

D. General Information

# Introduction



- ▶ Stenprop has delivered a solid set of results and is maintaining its dividend at 3.375 pence for the six month period
- ▶ Continued progress with transition to a 100% UK MLI business and leverage to 40% LTV or less
- ▶ MLI rents continue to show strong growth
- ▶ Decision to accelerate sales of German non-MLI assets even at the expense of earnings due to temporary cash drag
- ▶ Challenging environment to acquire sufficient MLI estates which meet our desired purchasing criteria
- ▶ Increasing focus on building our management platform to deliver efficiencies and ability to sell additional products and services





## Target milestones for FY20

Current MLI Portfolio	<b>44.6%</b>
March 2020 Target	<b>60%</b>
Net rental income (Currently derived from the MLI portfolio)	<b>52%</b>
Sale of Bleichenhof - Under offer	<b>21%</b> of current total portfolio

Current LTV Including unrestricted cash	<b>41.3%</b> 38.2% *
March 2020 Target	<b>40%</b>
Asset valuations (on a like-for-like basis since March 2019)	<b>▲ 3.5%</b>
Shares acquired by UK based fund managers (EEA % up from <10%)	<b>45m</b> Now >30%

\* Cash reserves at 30 September 2019 totalled £24.9m, including £4.9m of restricted cash. When unrestricted cash is added to this measure overall LTV was 38.2%.



**Maintained interim dividend per share  
fully covered out of earnings**

**3.375p**

with scrip alternative and  
matching buyback programme

**H1FY20 Diluted adjusted EPRA  
earnings per share**

**3.41p ▼ 35%**

**3.25 pence** - Property income ▼ 4.4%  
**0.16 pence** - Management income ▼ 91.5%

**Property income**

Due to holding £35m of cash for most of the six  
month period. £24m spent in September 2019.

**Management income**

Due to exiting the 3<sup>rd</sup> party management business

**Diluted EPRA NAV per share**

**£1.44 ▲ 2.1%**

(vs March 2019)



**STENPROP**

**Dividend yield on current share price<sup>1</sup>**

(annualised)

**6.1%**

<sup>1</sup> Based on a share price of £1.10

# Portfolio valuations at 30 September 2019



*In GBP – vs 31 March 2019 values \**

Total

▲ **3.5%**

2.1% values

1.4% currency

United Kingdom

▲ **2.0%**

2.5% MLI

0.3% non-MLI

Germany

▲ **5.6%**

2.4% values

3.2% currency

Switzerland

**n/c**

Only one property valued in CHF remaining

*\* On a like-for-like basis, excluding the impact of acquisitions and disposals. Refer to Slide 26 for more detail on value movements*



LTV incl. unrestricted cash  
30 September 2019

**38.2%**

LTV  
30 September 2019

**41.3%**

LTV  
31 March 2019

**44.2%**

All in cost of debt

**2.43%**

Weighted average  
debt maturity

**2.5 years**

Deliberate decision to keep short  
on non-MLI

Revolving credit facility

**£30m**

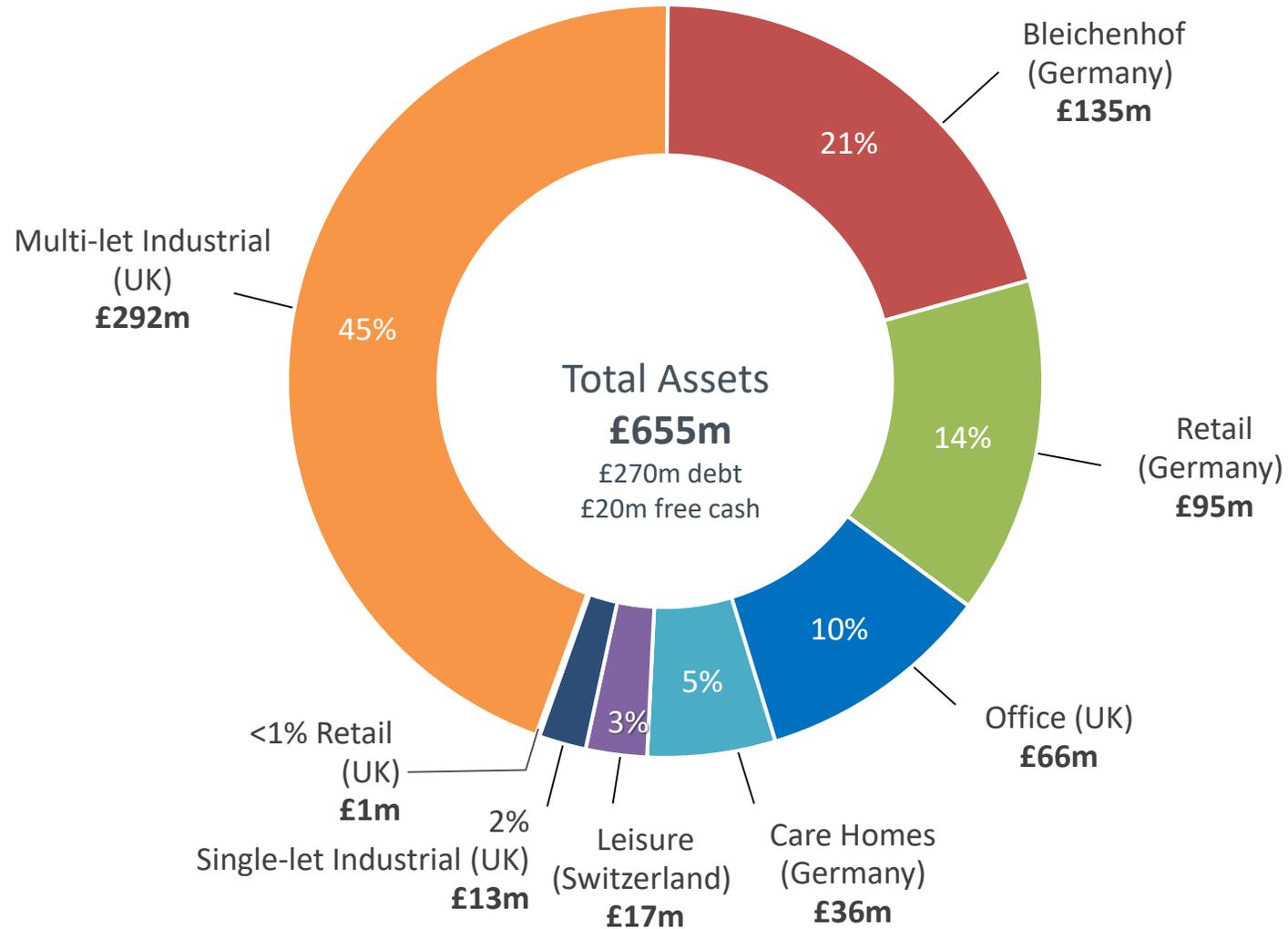
to facilitate new MLI acquisition  
while selling non-MLI assets.  
Incurs no non-utilisation fees

Target LTV

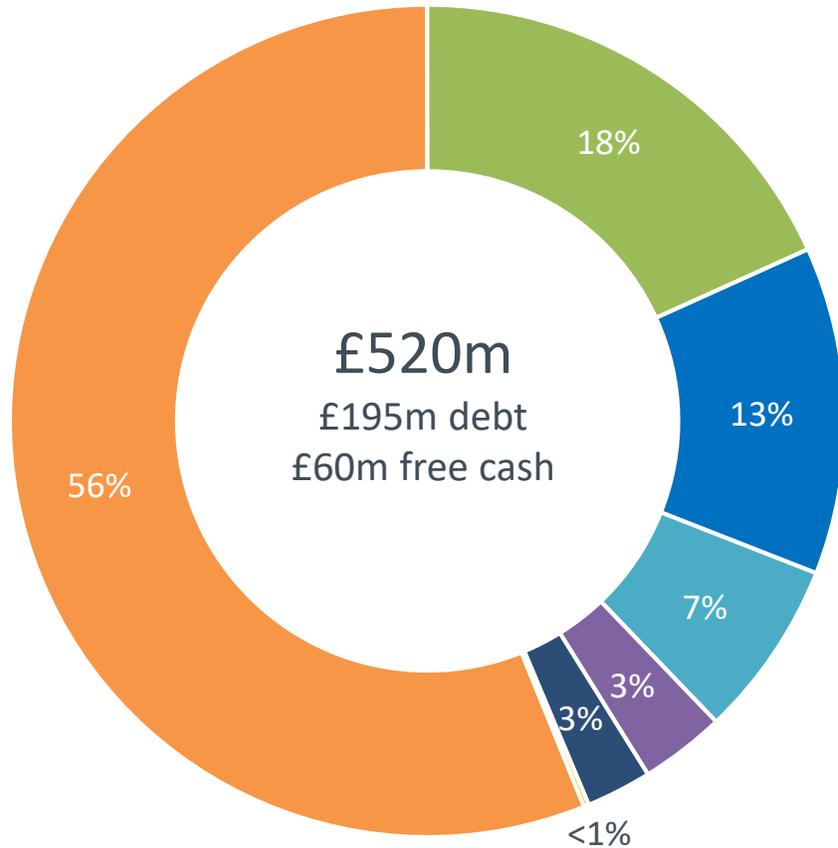
31 March 2020

**40%**

# Portfolio Overview



# Portfolio Overview – post Bleichenhof sale



		Pre	Post
Multi-let Industrial	UK	45%	56%
Bleichenhof	Germany	21%	-
Retail	Germany	14%	18%
Office	UK	10%	13%
Care Homes	Germany	5%	7%
Leisure	Switzerland	3%	3%
Single-let Industrial	UK	2%	3%
Retail	UK	<1%	<1%



## Sold



▶ **Park Street, Walsall WS1 1JH, UK**

- Sale price: £1.7m
- Valuation: £2.1m (-£400k to sale price)
- Date: August 2019



▶ **The Marlowes, Hemel Hempstead HP1 1DT, UK**

- Sale price: £1.9m
- Valuation: £1.55m (+£350k to sale price)
- Date: June 2019

By the end of 2019  
we will have no  
UK retail exposure

## For Sale



▶ **Bleichenhof, Hamburg, Germany**

- Latest Valuation: £134.7m
- Status: Under offer
- Expected Completion Date: March-June 2020



▶ **Victoria Street West, Grimsby DN31 1BW, UK**

- Latest Valuation: £1.0m
- Status: Exchanged
- Expected Completion Date: December 2019

The intention is to accelerate  
the sale of our German assets during  
the course of 2020



## UK Multi-Let Industrial Acquisitions



### ▶ Unit 1-10 Parkway Business Park, Deeside CH5 2LE

- Purchase price: £2,130,000 (£67 psf)
- Floor area: 31,572 sq ft
- Passing rent: £129,780 p.a. (£4.93 psf)
- Net Initial Yield: 6.1%
- Purchase Date: July 2019



### ▶ Forth Industrial Estate, Edinburgh EH5 1RF

- Purchase price: £4,175,000 (£105 psf)
- Floor area: 39,922 sq ft
- Passing rent: £129,780 p.a. (£7.38 psf)
- Net Initial Yield: 7.1%
- Purchase Date: September 2019



### ▶ Hoyland Road Industrial Estate, Sheffield S3 8AB

- Purchase price: £5,550,000 (£85 psf)
- Floor area: 64,952 sq ft
- Passing rent: £129,780 p.a. (£5.91 psf)
- Net Initial Yield: 5.8%
- Purchase Date: September 2019



### ▶ Unit 6-9 Dunball Industrial Estate, Bridgwater TA6 4TP

- Purchase price: £2,000,000 (£76 psf)
- Floor area: 26,465 sq ft
- Passing rent: £129,780 p.a. (£5.71 psf)
- Net Initial Yield: 7.6%
- Purchase Date: September 2019



### ▶ Armthorpe Business Centre, Doncaster DN3 3DY

- Purchase price: £1,260,000 (£93 psf)
- Floor area: 13,455 sq ft
- Passing rent: £129,780 p.a. (£6.90 psf)
- Net Initial Yield: 6.1%
- Purchase Date: September 2019



### ▶ Units 1-4 Block B, St Peter's Industrial Park, Huntingdon PE7 7DH

- Purchase price: £2,900,000 (£65 psf)
- Floor area: 44,652 sq ft
- Passing rent: £129,780 p.a. (£5.16 psf)
- Net Initial Yield: 8.0%
- Purchase Date: September 2019



### ▶ Trident Business Centre, Middlesbrough TS2 1PY

- Purchase price: £3,375,000 (£57 psf)
- Floor area: 59,288 sq ft
- Passing rent: £129,780 p.a. (£4.00 psf)
- Net Initial Yield: 6.7%
- Purchase Date: September 2019



### ▶ Merryhills Enterprise Park, Wolverhampton WV10 9TJ

- Purchase price: £2,500,000 (£66 psf)
- Floor area: 37,617 sq ft
- Passing rent: £129,780 p.a. (£5.21 psf)
- Net Initial Yield: 7.2%
- Purchase Date: September 2019

Post 30th September we acquired an estate in Glasgow for £4.6m and have one further asset under offer



Assets

**21**

At 31March 2019

**23**

Portfolio value

**£363m**

At 31March 2019

**£351m**

Portfolio vacancy

**1.0%**

At 31March 2019

**1.3%**

Total Income p.a.

**£21.9m**

At 31March 2019

**£21.1m**

WAULT to break

**6.8 years**

At 31March 2019

**7.2 years**

## Key asset management highlights

- ▶ Renewals and re-lettings amounting to £780k of rent with an average lease term of 6.4 years
  - Re-gearred lease with New Look at our Grimsby property on a 5-year term to facilitate sale of the asset
- ▶ Majority of new ground floor units at Bleichenhof let and will be trading before year end
- ▶ Terms agreed with REWE at Hermann for a new 13yrs lease on an enlarged and upgraded store. REWE represents currently represents 17% of passing rent at Hermann

# MLI Portfolio as at 30 September 2019



<b>4,327,244</b> sq ft	<b>1,187</b> Units
<b>68</b> Assets	<b>841</b> Tenants

Note: Excludes long-leasehold units and tenants

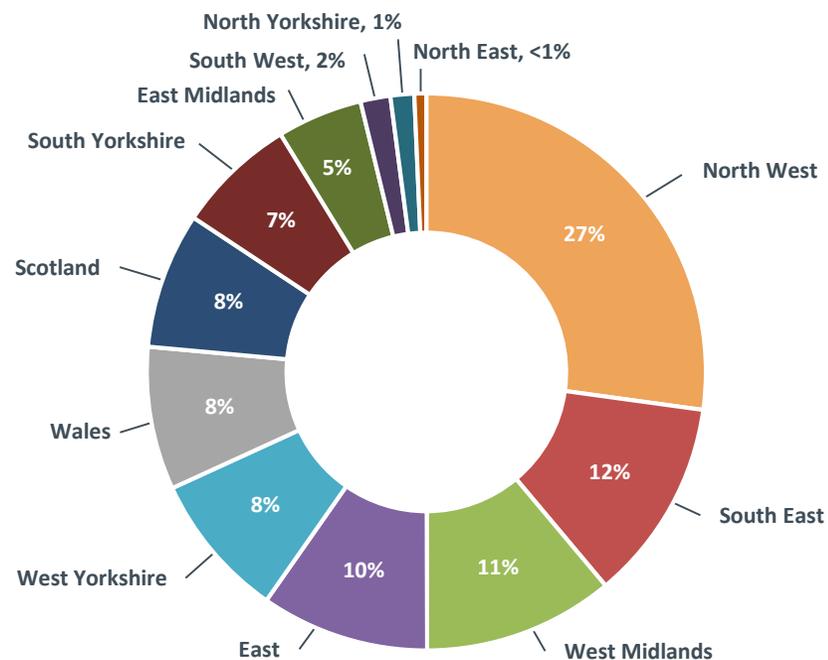
Current Passing Rent	£20,350,259	£5.14 psf
Contractual Rent <sup>1</sup>	£21,255,526	£5.36 psf
Estimated Rental Value (ERV) at 100% occupancy	£24,036,785	£5.55 psf
Current Vacancy <sup>2</sup>	247,961 sq ft	6.1%

Notes:

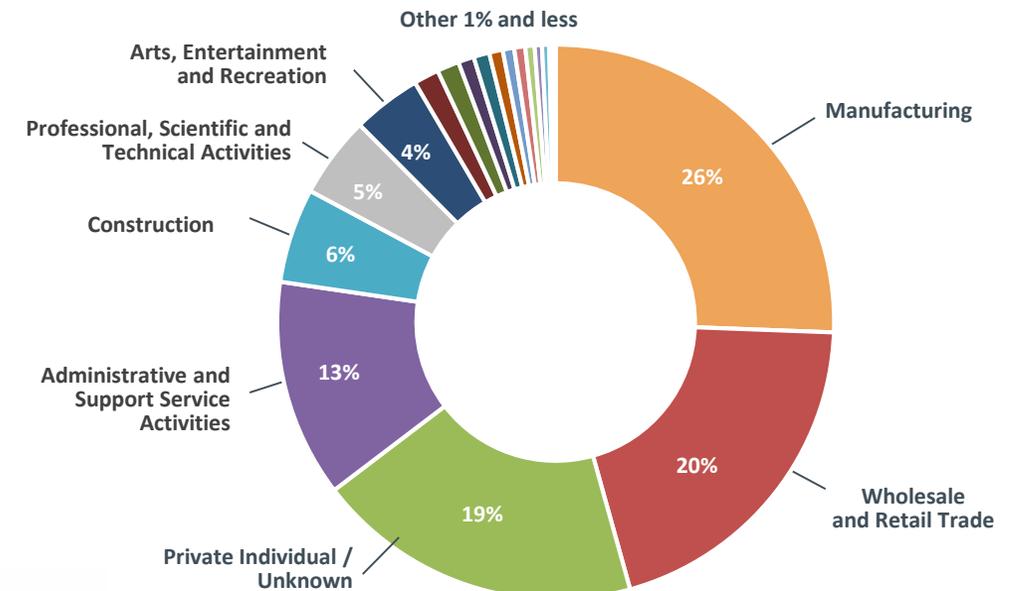
<sup>1</sup> Contractual rent includes contracted uplifts contained in existing leases over period of lease.

<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 370,613 sq ft, reflecting 8.6%.

## Geographic Breakdown by Area



## Tenant Business Breakdown



# MLI portfolio performance



6 months from 31<sup>st</sup> March 2019 to 30<sup>th</sup> September 2019

## Rents

**+2.9%**

Increase in passing rents over the period

## New Lettings

**+22%**

Average rental uplift over previous passing rent on 55 lettings completed and producing £1.2m p.a. of contractual rent

## Renewals

**+17%**

Average rental uplift over the 35 lease renewals completed and producing £0.6m p.a. of contractual rent

## Rent Reversion

**+18.1%**

Uplift between the current passing rent and Estimated Rental Value on the whole portfolio

## Lease Events

**156**

Breaks/expiries over the period. 28% of tenants vacated at lease expiry. 19% of breaks exercised. 76% units occupied post expiry/break

## Lease Terms

**4.36 years**

The average letting / renewal contractual term, with an average rent free period granted of 2.1 months

## Income Duration

**3.97 years**

Average WAULT to lease expiry, 2.65 years to break

## Occupancy

**93.9%**

Occupancy rate of units across the portfolio as at 30 September 2019

## Income Diversity

**13%**

Of total rent roll secured against the top 10 tenants.

## Lettings Pipeline

**47**

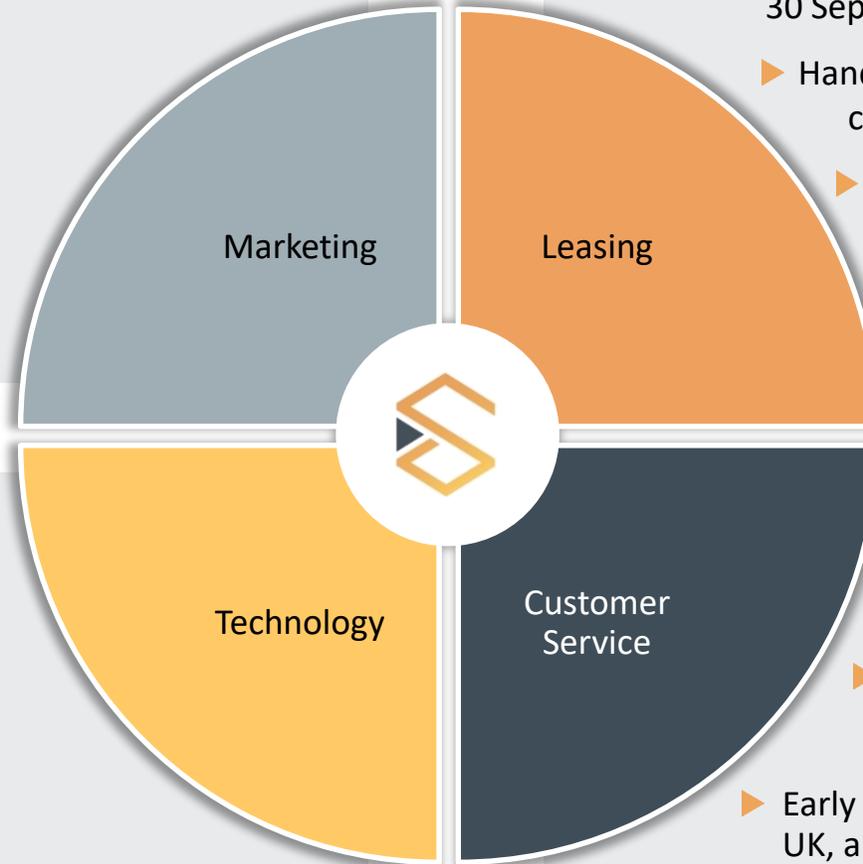
Units under offer to let (£1.15m p.a. of rent) at an average contractual rent of £5.53 psf

The MLI portfolio continues to deliver strong occupational performance



- ▶ Hired a Marketing Manager
- ▶ Industrials.co.uk traffic up 55% y-o-y
- ▶ Upgrade to industrials.co.uk to be launched in November 2019
- ▶ Enhanced lead tracking and marketing channel expenditure analysis
- ▶ Generating c. 200 direct marketing leads per month via the Industrials platform

- ▶ Continue to use market leading PropTech solutions to lease and manage the portfolio
- ▶ Enhanced analytics capability through the adoption of new BI tools
- ▶ Recruited a Tech Platform Manager and Data Analyst (starting January 2020)
- ▶ Investing in a new finance, operations and customer relationship management platform for launch in 2020 as part of the roll out of the serviced industrial concept



- ▶ 45% of lettings on <4,000 sq ft units in England and Wales completed on Smart leases over the 3 months to 30 September 2019
- ▶ Handling c. 1,500 leasing enquiries p.a. via our call centre
- ▶ Completed a number of lettings in less than 3 working days from enquiry to occupation
- ▶ Currently investigating paperless contracting

- ▶ Recruited two Customer Engagement Managers (CEMs) based in the NW and Midlands who engage directly with customers to improve retention rates;
- ▶ Cut fees on lease renewals; drive customer satisfaction and reduce arrears/debtors through active 'on-the-ground' management.
- ▶ Early success has resulted in rolling out the CEMs across the UK, and we are currently seeking recruits for three further positions around the UK.
- ▶ Call centre handles c. 2,500 management calls per annum from existing customers.



**Choose a business space that offers you room to grow**

View all flexible business space options to grow with your business.

Filter by location, search by region, or what type of space?

**Welcome to Industrials**

View our wide range of flexible, high quality industrial units available across the United Kingdom.

**Why we're different:**

All below are included, we understand the need for space with a glass pane business unit to retail and grow.

**The benefits of leasing with Industrials**

- Flexible: Leasing with Industrials offers a range of flexible lease terms to suit your business needs.
- 24/7: Our 24-hour on-site security ensures your business is always protected.
- No hidden charges: Our transparent pricing means you know exactly what you're paying for.
- Insurance: We provide comprehensive insurance cover for your business.
- Professional: Our units are built to the highest standards of quality and safety.

**Unit 36 | Compass Industrial Park**

High quality industrial accommodation in Compass Industrial Park - Unit 36 Networkcentre.

**Unit 36 | 943 sq ft**

Compass Industrial Park

rent per annum: £18,500

Status: Available

**Unit Summary**

- New controlled access security gates
- Well landscaped environment
- Service charge and insurance included in rent
- CCTV
- 24 hour manned security
- Terraced light industrial starter / storage unit
- WC facilities

**Occupational Costs**

See below for a full breakdown of the costs associated with renting Unit 36 at Compass Industrial Park.

Size (sq ft)	943	Rates per sq ft (per year)	£2.82
Rent per month (gross)	£3,500.00	Total per month (gross)	£12,384.50
Maintenance Charge per sq ft (per year)	£1.50	Lease type	New
Insurance	£18,500.00		

**Compass Industrial Park**

Highly accessible, modern and high quality industrial units

**Overview**

Compass Industrial Park is a 100,000 sq m estate located on Spenning Lane, Liverpool, Merseyside, L24 1YK.

**Asset Summary**

- Manned CCTV: This estate offers a high level of security with 24-hour manned security.
- Varied unit sizes: This estate offers a wide variety of unit sizes to suit a range of businesses.
- Highly accessible location: This estate is situated in a highly accessible location.
- Placement roadside location: This estate has convenient roadside access for all users.
- 24-hour on-site security: This estate has security on-site 24 hours a day.
- Generous car parking: This estate provides generous car parking facilities.

**Location**

Compass Industrial Park is situated around 7 miles south of Liverpool city centre. Compass West is accessed via Spenning Road, Compass East and Compass Network centres are accessed via Spenning Road. South Liverpool offers a rich mix of commerce with over 2m sq ft of automotive, distribution and fast pharma space.

**Map**

**Road:** This estate is situated on a main road (A56) and is accessible via the M57 and M56 motorways.

**Allyport:** Liverpool John Lennon Airport is located 1 mile away from the estate providing great access to the site.

**Hill:** The site is situated within close proximity to local roads.

## Features:

- Unit search function with filters;
- Constantly updated with latest vacancy information;
- Live chat (with real people!);
- Content rich – blogs, guide to leasing, customer testimonials, FAQ;
- High quality marketing materials (images, quoting rents, market information, drone videos);
- Automatically generating leasing particulars (saving c. £1k per letting, or £50,000 per annum);
- SEO optimised with over 150 localised landing pages

## Metrics:

- 60,000 site visitors p.a, up 55% Y-o-Y
- 120,000 property/unit views p.a.
- Lead conversion rate which is 45% better than real estate average
- 84% increase in organic search in 7 months to October 2019
- Web-based enquiries up 23% M-o-M in October 2019 and over 300% Y-o-Y
- More than 2x leads generated via website vs leading online portals
- c. 4 enquiries per available unit per month generated by industrials.co.uk



## Current share metrics

Diluted EPRA NAV / share

**144p**

(as at 31 March 2019)

Current share price

**110p**

(as at 15 November 2019)

Annualised dividend yield  
on share price

**6.1%**

Annualised earnings yield  
on share price

**6.2%**

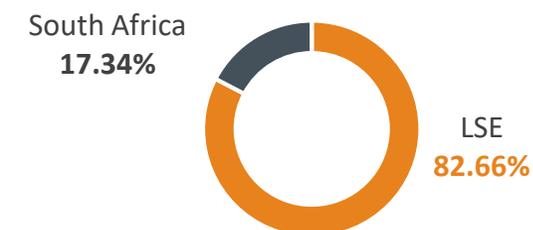
## Top 12 Shareholders as at 25 Oct 2019

	% Holding
Directors	8.20
Thames River Capital	7.62
Zarclear Holdings Limited (listed on JSE)	7.15
Investec Wealth	4.97
Lombard Odier Darier Hentsch	4.62
Public Investment Corporation (PIC)	4.18
36ONE Asset Management	3.49
Credo Capital	2.54
Stenham Asset Management	2.33
Nedbank Private Wealth	1.98
Barclays Wealth	1.80
Aberdeen Standard	1.80
<b>Total</b>	<b>50.68</b>

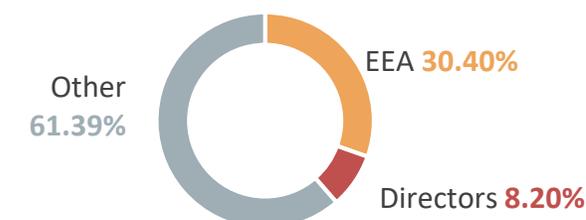
## Trading volumes

	Monthly average trade	Daily average trade
LSE	9,786,667	466,032
JSE	2,318,333	110,397
<b>Total</b>	<b>12,105,000</b>	<b>576,429</b>

## Stock Exchange Split



## Shareholders by region



No. of shareholders: 1,862

# Conclusion and Outlook



- ▶ Stenprop's objective remains to deliver sustainable and growing income to shareholders covered by earnings
- ▶ On track to achieve two year interim transition to at least 60% MLI and no more than 40% LTV. Intention to reach 100% MLI over the following 12 to 18 months.
- ▶ Achieving strong rental growth on the MLI portfolio and expect this to continue, based on market fundamentals
- ▶ Decision to accelerate non-MLI sales even at the expense of a temporary reduction in earnings due to cash drag.
- ▶ 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

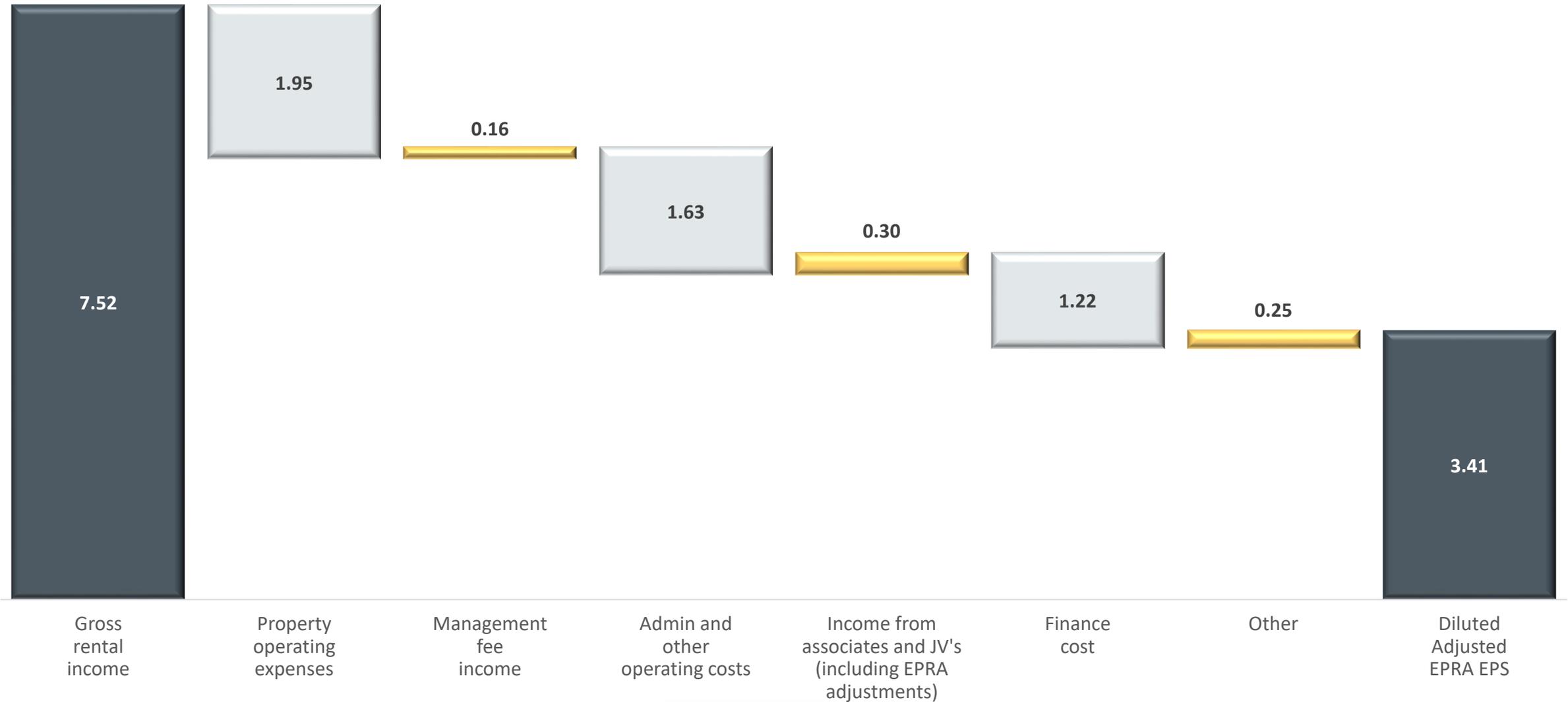


**STENPROP**

# EPRA earnings per share (pence)



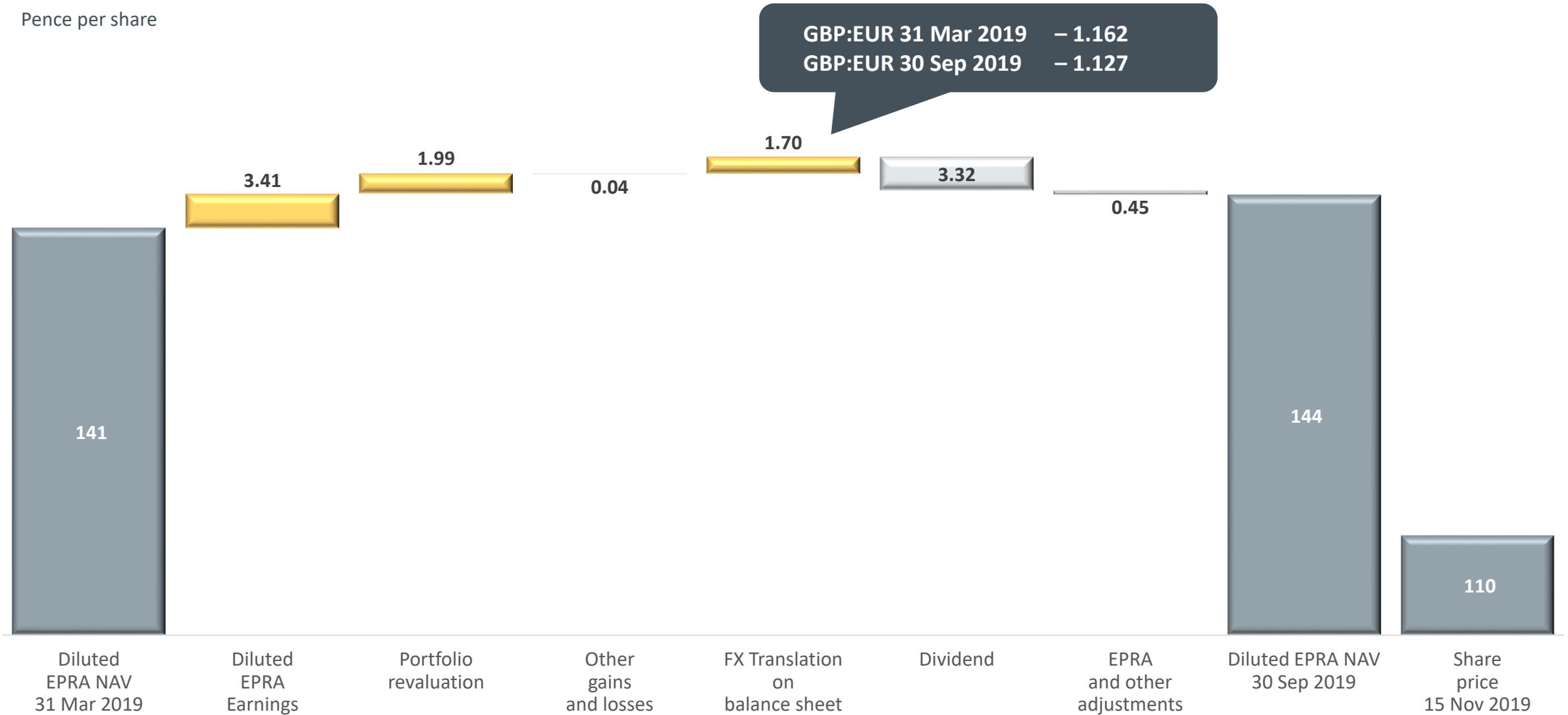
Pence per share



# NAV movement 31 March 2019 to 30 September 2019



Pence per share



# Income Statement and Earnings



	Year ended 30 September 2019 £m	Year ended 30 September 2018 £m
Net rental income*	16.0	16.7
Management fee income	0.4	5.4
Operating costs*	(4.7)	(5.4)
<b>Net operating income</b>	<b>11.7</b>	<b>16.7</b>
Income from Investment in associates/joint ventures (excl. fair value gains)	0.8	1.2
Net finance costs*	(3.5)	(4.1)
EPRA adjustments and other items*	0.8	1.3
<b>Adjusted EPRA earnings</b>	<b>9.8</b>	<b>15.1</b>
Diluted Adjusted EPRA EPS	3.41 cents	5.28 cents
<b>Annualised</b>	<b>Earnings Yield</b>	<b>Dividend Yield</b>
Current share price (£1.10)	6.2%	6.1%
EPRA NAV (£1.44)	4.7%	4.7%

\* Includes assets held for sale and discontinued operations

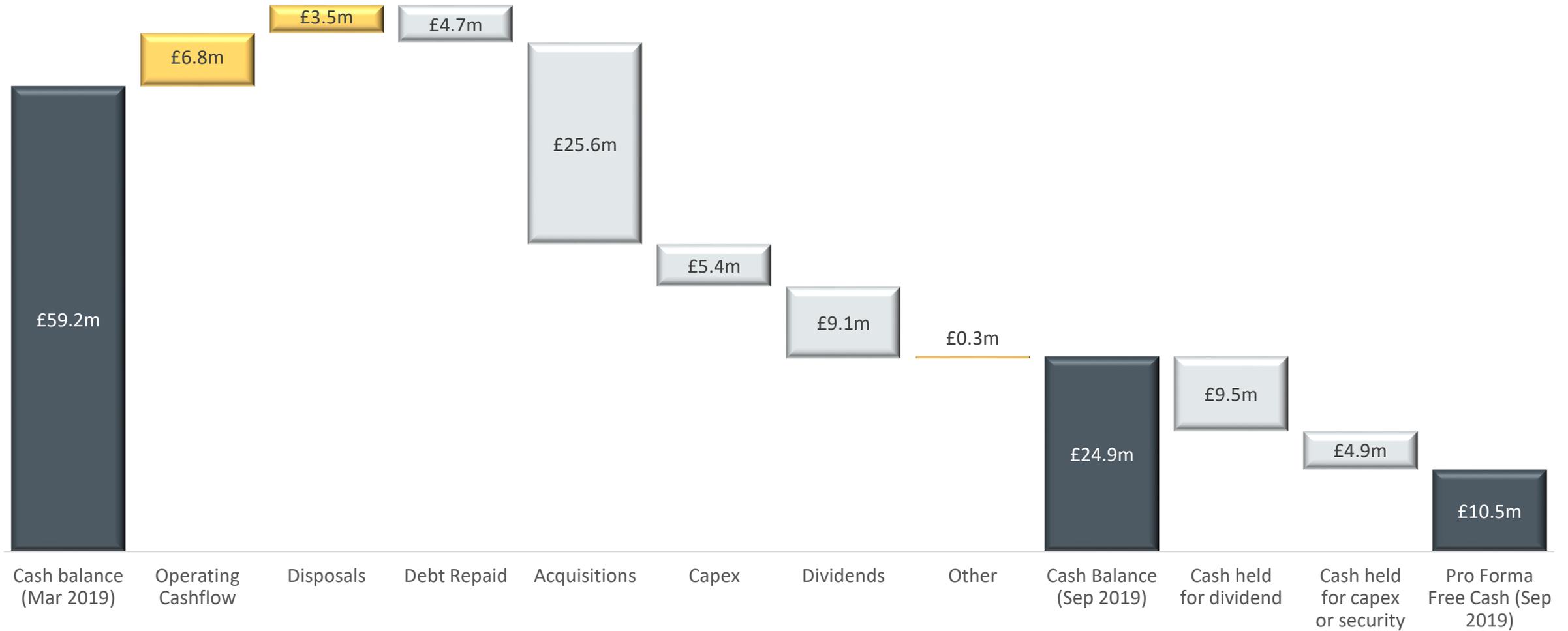
# Debt maturity (£m)



\* £6.4m of debt in FY20 is related to the Lugano asset which is financed on a rolling term, and will be paid back only when sold.

\*\* £75.4m of the debt maturing in FY22 relates to Bleichenhof, which is currently under offer and expected to sell in 2020.

# Cashflows



# Valuation movement



Property/Portfolio	Percentage Ownership	Market Value 30 September 2019 (million)	Market Value 31 March 2019 (million)	Change %
<b>United Kingdom - £</b>				
UK MLI (60 assets)	100%	£ 268.0	£ 261.5	2.5%
Grimsby	100%	£ 1.0	£ 0.7	42.9%
GGP1 Portfolio	100%	£ 21.6	£ 21.7	(0.5%)
Trafalgar Court	100%	£ 57.8	£ 57.8	0.0%
UK Sub-Total		£ 348.4	£ 341.7	2.0%
<b>Switzerland – CHF</b>				
Lugano	100%	F 21.0	F 21.0	0.0%
Swiss Sub-Total		F 21.0	F 21.0	0.0%
<b>Germany - €</b>				
Bikemax Portfolio	100%	€ 26.3	€ 26.5	(0.8%)
Bleichenhof <sup>1</sup>	94.9%	€ 151.7	€ 147.4	2.9%
Hermann Quartier	100%	€ 25.9	€ 25.0	3.6%
Neukölln	100%	€ 23.1	€ 22.5	2.7%
Victoria Centre	100%	€ 31.6	€ 31.2	1.3%
Care Homes Portfolio	100%	€ 40.4	€ 39.4	2.5%
Germany Sub-Total <sup>1</sup>		€ 299.0	€ 292.0	2.4%
<b>Properties disposed during period</b>		<b>Sales Price</b>		
Hemel Hempstead	100%	£ 1.9	£ 1.6	18.8%
Walsall	100%	£ 1.7	£ 2.1	(19.0%)
<b>Properties acquired in the six months to date</b>				
MLI (8 properties)	100%	£ 23.6	-	-

1. Stenprop's share of Bleichenhof is 94.9%, full amount as matches balance sheet shown

# 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)	291.6	34%	21.2	6.37%
GGP1 Portfolio	100%	(4.5)	21.6	21%	1.7	7.42%
Davemount Portfolio	100%	-	1.0	0%	0.2	18.91%
Trafalgar Court	100%	(30.0)	57.8	52%	4.2	7.07%
UK Sub-Total		(133.0)	372.0	36%	27.3	6.57%
<b>SWISS</b>						
Lugano	100%	(6.4)	17.1	37%	1.2	5.68%
Swiss Sub-Total		(6.4)	17.1	37%	1.2	5.68%
<b>Germany</b>						
Bikemax Portfolio	100%	(11.2)	23.3	48%	1.8	7.24%
Bleichenhof <sup>2</sup>	94.9%	(75.4)	134.7	56%	6.2	3.13%
Neukölln	100%	(8.0)	20.5	39%	1.3	5.25%
Hermann Quartier	100%	(8.4)	23.0	36%	1.3	4.87%
Victoria Centre	100%	(9.1)	28.1	33%	1.5	4.24%
Germany Sub-Total		(112.1)	229.6	49%	12.1	4.05%
<b>Associates and joint ventures</b>						
Care Homes Portfolio	100%	(18.7)	35.8	52%	2.5	5.89%
<b>Portfolio Total</b>		<b>(270.2)</b>	<b>654.5</b>	<b>41%</b>	<b>43.1</b>	<b>5.63%</b>

GBP:EUR exchange rate of 1.127 and a GBP:CHF exchange rate of 1.224

1. Excludes potential rent on vacant space

2. 100% Bleichenhof shown, as per consolidated balance sheet

# 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	291.6	(98.5)	34%	2.18%	1.01% <sup>1</sup>	-	3.20%	(3.2)	-	2 Jun '22 <sup>2</sup>
Davemount Portfolio	1.0	-	0%	-	-	-	-	-	-	-
GGP1 Portfolio	21.6	(4.5)	21%	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	372.0	(133.0)	36%				3.25%	(4.4)	-	
<b>Swiss – CHFm</b>										
Lugano	21.0	(7.8)	37%	1.15%	0.00%	-	1.15%	(0.1)	(0.2)	N/A
Lugano - £m	17.1	(6.4)						(0.1)	(0.1)	
<b>Germany - €m</b>										
Bikemax Portfolio <sup>4</sup>	26.3	(12.6)	48%	1.55%	-	-	1.55%	(0.2)	-	31 Dec '22
Hermann Quartier	25.9	(9.4)	36%	1.13%	0.29%	-	1.42%	(0.1)	-	30 Jun '20
Victoria Centre	31.6	(10.3)	33%	1.28%	0.08%	-	1.36%	(0.1)	-	31 Aug '20
Bleichenhof (94.9%) <sup>3,4</sup>	151.7	(84.9)	56%	1.58%	-	-	1.58%	(1.3)	-	28 Feb '22
Neukölln	23.1	(9.0)	39%	2.32%	0.48%	-	2.80%	(0.3)	-	31 Dec '21
Care Homes Portfolio	40.4	(21.0)	52%	1.25%	0.57%	-	1.82%	(0.4)	(0.8)	30 Dec '23
Germany Sub-Total	299.0	(147.2)	49%				1.66%	(2.4)	(0.8)	
Germany - £m	265.4	(130.8)						(2.2)	(0.7)	
<b>Total (£m)</b>	<b>654.5</b>	<b>(270.2)</b>	<b>41%</b>				<b>2.43%</b>	<b>(6.7)</b>	<b>(0.8)</b>	

1. £10m of the Industrials debt is floating

2. 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

3. 100% interest shown, per balance sheet

4. Fixed rate loan



Appendix B  
**Asset Management**



**STENPROP**



## Bleichenhof – Value £135m

- ▶ Based on current income, this asset comprises:
  - 38% parking, let to national car park operator, Apcoa
  - 41% multi-let offices and storage
  - 12% food/restaurant/leisure
  - 9% 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 11 are now occupier or pre-let.
- ▶ The majority of works have been completed, with remaining to the canal side restaurant due to complete in early 2020.
- ▶ Vacancy over the last 6 months reduced from 7% to 4% largely due to the letting of the new restaurant units. The majority of the new units will be trading before the year end.
- ▶ 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 £72m

- ▶ 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.



Neukölln, Berlin

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

- ▶ Agreement reached to extend all BOC leases for a further ten year period, documentation being finalised.
- ▶ 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.



Bike & Outdoor Company, Frankfurt, Germany

## Carehome Portfolio, Germany – Value £36m

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



Elysson Dessau Care Home, Luxembourg

## Lugano, Switzerland – Value £16m

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

# Non-MLI UK Asset Management



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

- ▶ Fully let to Northern Trust (9.0 years unexpired) and Aztec Financial (3.75 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 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 Investment – Value £1m

- ▶ One high street retail investment let to New Look for 5 years from 2019
- ▶ Contracts exchange for sale, due to complete in December 2019



Grimsby, United Kingdom



Sales Counter

Appendix C  
The Case for MLI





## 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. 50-60% 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:

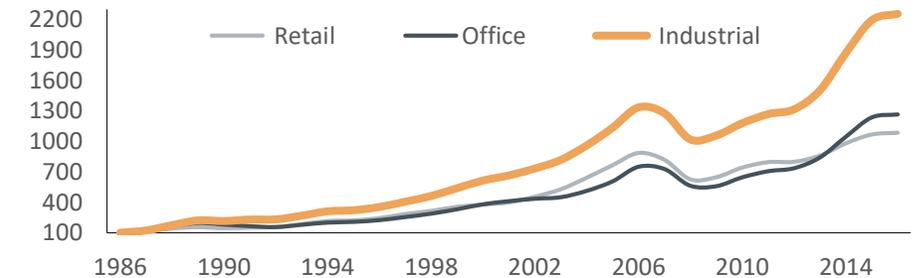
– Total return indices of **1220** and **1290** respectively over 30 years

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

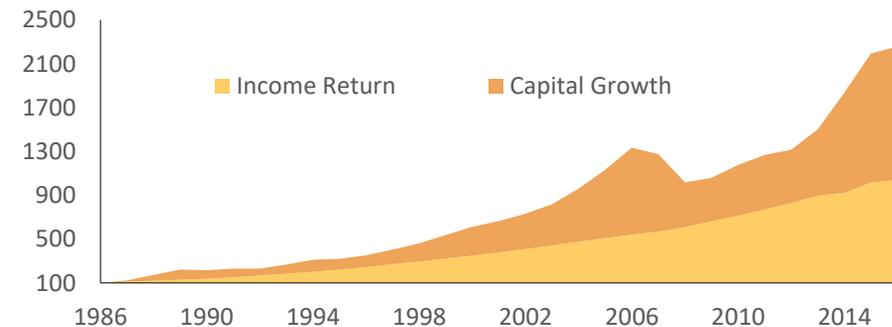
The best performing sector in property over a 30 year period

## 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

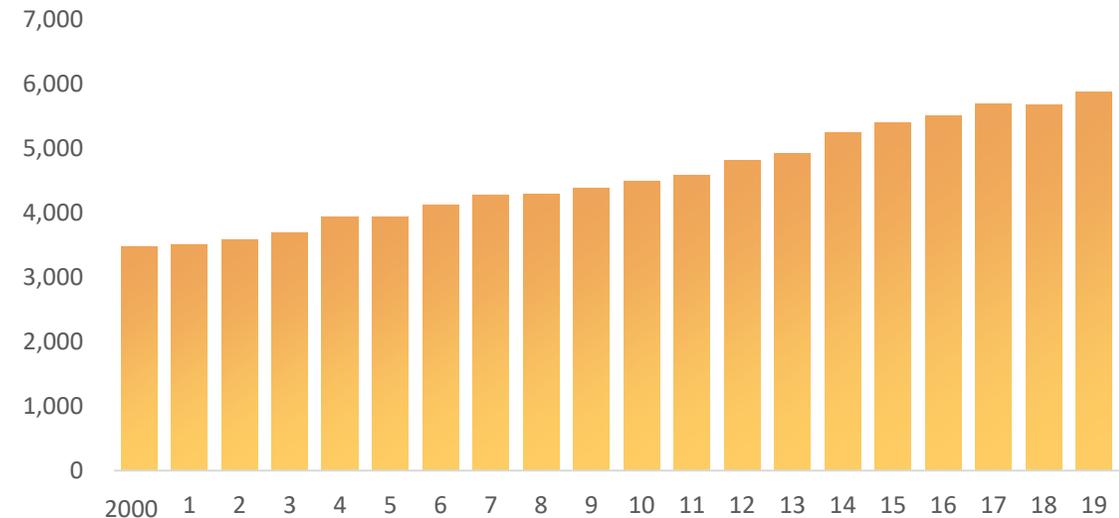
- ▶ The number of private sector businesses in the UK grew by **69%** between 2000 and 2019, and **3.5%** between 2018 and 2019
- ▶ SMEs account for **99%** of private sector businesses
- ▶ UK SMEs annual turnover is **£1.9tn** p.a, reflecting **52%** of all private sector turnover, and employ **16.6m** 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 ne up **74%** in the 11 years to 2018, whilst only in the last 3 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 in 2018 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 around **50%** in most regional UK markets
- ▶ 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 between 2007 and 2018

**£138 psf** Replacement cost of Industrials portfolio

**c. £1.1m**

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

**c. £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

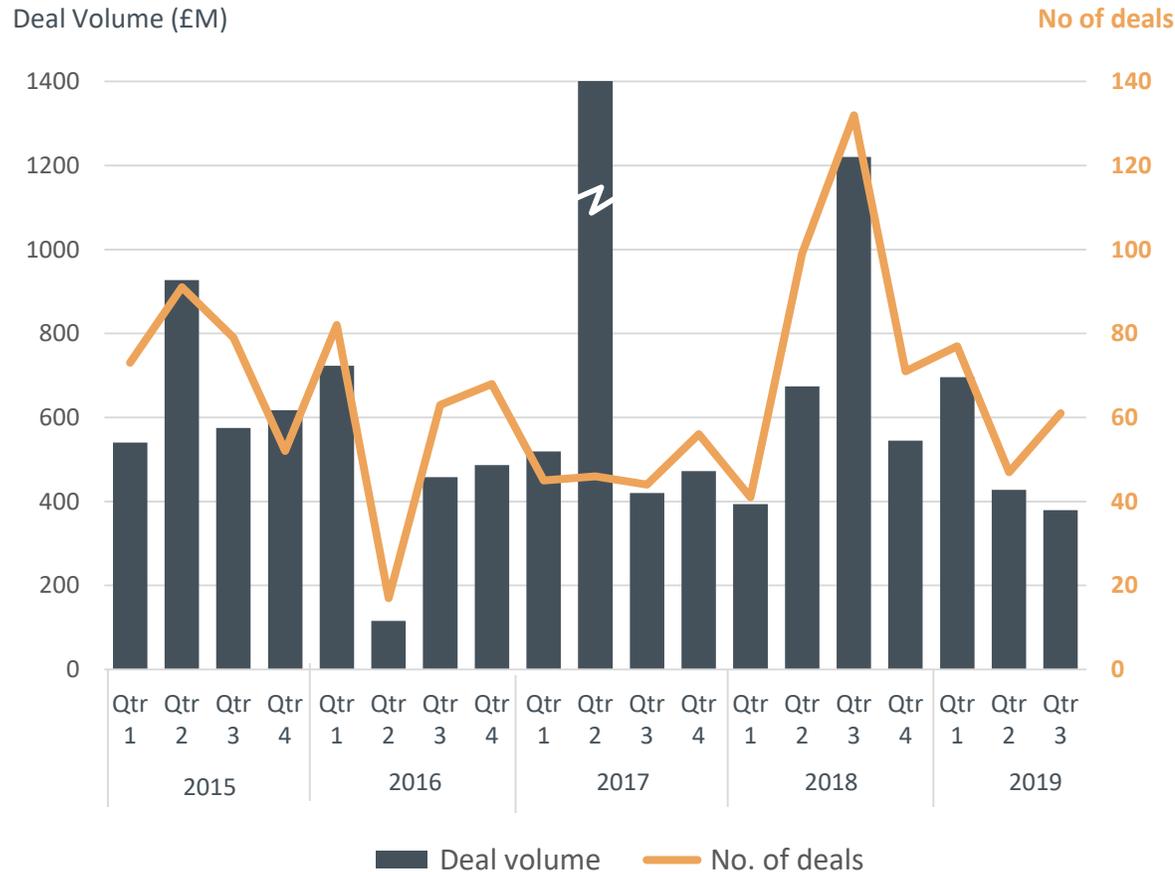
vs

**£5.14 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 D  
General Information



STENPROP



## Executive Directors

**Paul Arenson**  
Chief Executive  
Officer

**James Beaumont**  
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  
1 Data Analyst  
(from Jan 2020)
- ▶ **Marketing:**  
1 Marketing Manager

### Legal and HR

Department Head:  
**Sarah Bellilchi**

- ▶ Legal Counsel



## Executive Directors

**Paul Arenson**  
Chief Executive Officer

**James Beaumont**  
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

# 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 **68 MLI estates** comprising **over 44%** of the portfolio and **LTV** was **41%**.
- ▶ Three **Central London** offices sold:
    - Pilgrim Street **£80m**
    - Argyll Street 50% share of **£83m**
    - Euston House sold **£95m**
  - ▶ Two **UK retail** assets sold:
    - Hemel Hempstead and Walsall **£4m**
  - ▶ **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

## Achieved by 30 September 2019

### Purchases

- ▶ Increase MLI from **43%** to at least **60%** of the portfolio

- ▶ **8** assets purchased in FY20, totalling **£24m**
- ▶ MLI sitting at **45%** of the total portfolio as at end October 2019
- ▶ The sale of Bleichenhof, currently under offer, will push this to **56%** before further asset purchases during the year

### Sales

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

- ▶ Two small retail assets valued at approximately **£4m** have completed to date.
- ▶ Bleichenhof, valued at **£131m**, is currently under offer and expected to complete before the end of FY20.

### Leverage

- ▶ Reduce leverage from **45%** to **below 40%**

- ▶ LTV reduced to 41% following the deployment of free cash during the year to date.
- ▶ Selling Bleichenhof, a highly geared asset, will bring the Group LTV below 40% and allow more borrowing against MLI assets acquired.



COOP  
COMPANY

WAGGON  
PELANTON  
WAGGON  
PELANTON

CLINIC



STENPROP



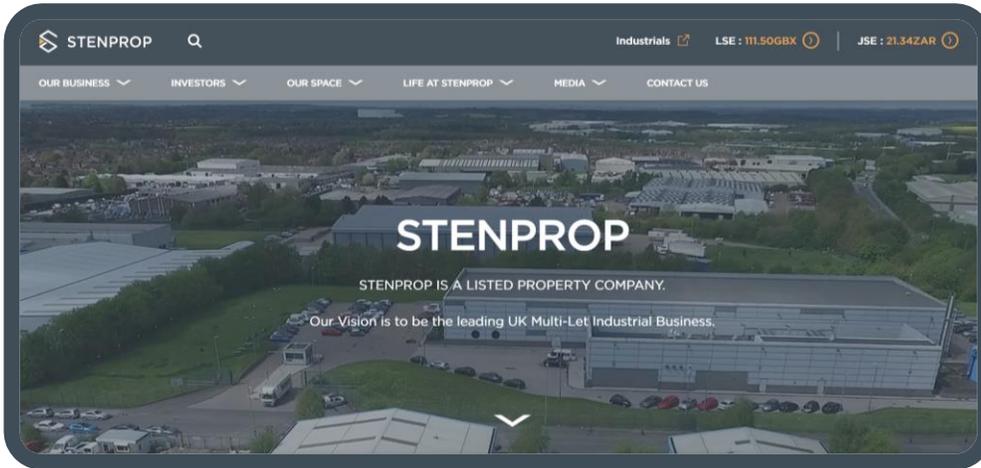
## Forward-looking statements

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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