

For personal use only

# FY19 Results

21 August 2019



Stockland

WILLOWDALE, SYDNEY



**Group update**

Mark Steinert

Managing Director & CEO

**Financial results**

Tiernan O'Rourke

CFO

**Commercial Property**

Louise Mason

Group Executive & CEO, Commercial Property

**Communities**

Andrew Whitson

Group Executive & CEO, Communities

**Summary and outlook**

Mark Steinert

Managing Director & CEO

Figures are rounded to nearest million, unless otherwise stated. Percentages are calculated based on the figures rounded to one decimal place throughout this presentation.

For personal use only

# Group update

Mark Steinert

---



Stockland

BRIGHTWATER, QLD

# Focus on sustainable returns

FFO in line with forecast - reflects residential, workplace & logistics growth

## Funds from operations<sup>1</sup> (FFO)

\$897m

+4.0%

## FFO per security<sup>1</sup>

37.4 cents

+5.1%

## Adjusted FFO (AFFO) per security<sup>1</sup>

32.5 cents

+4.2%

## Distribution per security (DPS)

27.6 cents

+4.2% Distribution payout ratio 74%

## Statutory profit

\$311m

(69.6)%

## Return on equity<sup>2</sup>

11.9%

+70bp

## Net tangible assets (NTA) per security

\$4.04

(3.3)%

## Gearing

26.7%

Within target range 20-30%

1. Funds from operations (FFO) and Adjusted Funds From Operations (AFFO) are determined with reference to the PCA guidelines.

2. Return on equity accumulates individual business return on assets and adjusts for cash interest paid and average drawn debt for the 12 month period. Excludes Residential Communities workout projects.

# Executing on our strategic priorities

## Improving portfolio quality

- Transacted \$505m<sup>1</sup> non-core Retail Town Centre divestments before the targeted time frame to complete \$400m retail divestment program
- Exchanged contracts to acquire remaining 50% interest in Stockland Piccadilly, Sydney for \$347m and divest our 50% interest in 135 King Street (incl. Glasshouse), Sydney for \$340m<sup>2</sup>
- Improved retail portfolio - comparable specialty sales per sqm up 2.5% (MLA)
- Invested in key capabilities to deliver strategic outcomes and curate customer experience in Commercial Property

1. Exchanged or settled from 1 July 2018 to 21 August 2019.  
 2. Exchanged on 20 August 2019 and 21 August 2019 respectively.  
 3. Estimated 10 year IRR on completion.  
 4. Post period end, announced on 4 July 2019.  
 5. Estimated end value.

5 Stockland FY19 Results Presentation

## Driving sustainable and growing returns

- Demonstrated strength and resilience of residential business with operating profit growth up 8.0% and margin increasing to 19.9%
- Settled 5,878 residential lots in line with our revised guidance, 3,869 residential contracts on hand
- Increased residential market share from 12% to 15%
- Divested \$60m non-core retirement living villages
- Achieved strong leasing and rental growth in Workplace
- Delivered solid Logistics rental growth and successful developments

## Increasing Workplace & Logistics weighting

- Increased weighting by 4% to 23%
- Completed \$99m Logistics developments with risk adjusted IRRs over 10%<sup>3</sup> and FFO yields above 7.5%
- Secured 294 hectares of strategic logistics sites, Melbourne Business Park development application submitted
- On track to achieve a 25-35% portfolio weighting in the next five years

## Sustaining capital strength

- Completed<sup>4</sup> a strategic capital partnership at Aura, a \$5bn<sup>5</sup> masterplanned community development on the Sunshine Coast, at a 30% premium to book value
- Improved borrowing capacity with updated debt covenants
- Reduced unallocated overheads by \$5m
- \$1.8bn capital transactions<sup>1</sup>

**Residential communities  
resident satisfaction**

93%

**Retirement Living resident happiness**

8.6/10

Above target of 8.25/10

**Retailer satisfaction**

82.5%

Above target of 75%

**Workplace and Logistics tenant satisfaction**

84%

Above target of 80%

**Retail customer satisfaction**

80%

Met target of 80%



## Customer focus

- Launched “Stockland Listens” to better understand our customer needs
- Highest level of retirement living resident happiness since 2009
- Commercial Property tenant satisfaction above industry average

# Driving operational excellence

For personal use only

Group update  
Financial results  
Commercial Property  
Communities  
Summary and outlook

## Capability

Resourcing realigned to our strategy



**Employer of Choice for Gender Equality** (EOCGE) for 2018-19 by the Workplace Gender Equality Agency (WGEA) for the 5th consecutive year

45.8% **Women in management**

81% **Employee Engagement**  
4 points above Australian National Norm

83.2% **Employees with flexible work arrangements**  
Runner-up in the 2018 Champion of Flexible Work Awards

98.5% **Gender pay equity**

## Innovation

Investing in building capabilities and skills



**Launched Stockland Accelerator**, powered by BlueChilli to identify and build PropTech start-ups aligned with our strategy, examples include AI-powered indoor farms and a chatbot to streamline facilities management



**Leveraging big data** to geo-target customers and drive enquiry

LAB-52 **Launched LAB-52**  
Our internal innovation system

Prefabricated housing and land lease communities trial

>1% **FFO increased in FY19**  
by innovation initiatives

## Sustainability

Leading global sustainability credentials



**DJSI top 5**  
for 8 years



**GRESB**  
sector leader



**CDP only Australian company** listed TCFD disclosure in Annual Report

\$106m **Saved** in energy efficiency innovations since 2006



**Signatory to World Green Building Council's Net Zero Carbon Buildings Commitment**

Net Zero emissions target by 2030 for our Logistics centres, Retirement Living operations and Corporate head offices

>10% **IRR** from \$33m solar investment

57% **Carbon intensity reduction** since 2006

For personal use only

# Financial results

Tiernan O'Rourke

---



Stockland

HENDRA INDUSTRIAL ESTATE, BRISBANE



# Capital strength

At 30 June 2019

<p><b>Gearing</b></p> <p>26.7%</p> <p>Within target range 20-30%</p>	<p><b>Interest cover<sup>1</sup></b></p> <p>4.7:1</p>	<p><b>Investment grade credit ratings</b></p> <p>A-/Stable <small>S&amp;P</small></p> <p>A3/Stable <small>Moody's</small></p>	<p><b>Weighted average cost of debt</b></p> <p>4.4%</p>
<p><b>Fixed / hedge ratio as at period end</b></p> <p>89%</p>	<p><b>Weighted average debt maturity</b></p> <p>5.8 years</p>	<p>FY20 outlook</p>	
		<p><b>Expected weighted average cost of debt for FY20</b></p> <p>4.3%</p>	<p><b>Gearing within target range</b></p> <p>20-30%</p>

1. Based on S&P methodology.

# Disciplined and active capital management

- Maintained strong balance sheet and capital management position with investment grade credit ratings of A-/Stable (S&P) and A3/Stable (Moody's), despite portfolio devaluations
- Renegotiated our debt documentation improving our borrowing capacity, with key terms and conditions updated in line with market and our peers
- Statutory profit impacted by non-cash adjustments on retail town centre and retirement living devaluations, a retirement goodwill write down, mark to market on financial instruments and tax expense
- 26.7% gearing is within target range of 20-30% (immaterial change from 26.4% at 31 December 18) despite lower growth and the continuation of the securities buy-back program
- Secured A\$551m new long-term debt diversifying our funding sources across global debt markets on competitive terms and tenors
- Completed \$192m of a \$350m securities buy-back program, representing 50.1m securities at an average discount to NTA of 8.3%<sup>1</sup>
- Reduced unallocated group overheads by \$5m in FY19 to \$61m and commitment to further reducing our cost base

1. Based on NTA at 30 June 2018 and 31 December 2018 of \$4.18 and \$4.19 respectively.



# Funds from operations

\$m	FY19	FY18	Change	Comparable growth
Retail Town Centres	432	428	1.1%	(0.2)%
Logistics	164	152	6.9%	3.9%
Workplace <sup>1</sup>	48	54	(10.0)%	10.4%
Trading profit	-	1	-	
Commercial Property net overheads	(21)	(21)	1.4%	
<b>Commercial Property</b>	<b>623</b>	<b>614</b>	<b>1.5%</b>	<b>2.1%</b>
<b>Residential Communities</b>	<b>362</b>	<b>336</b>	<b>8.0%</b>	
<b>Retirement Living</b>	<b>56</b>	<b>53</b>	<b>5.7%</b>	
Unallocated corporate overheads	(61)	(66)	(7.3)%	
Net interest expense	(83)	(74)	13.6%	
<b>Total Group</b>	<b>897</b>	<b>863</b>	<b>4.0%</b>	
FFO per security	37.4 cents	35.6 cents	5.1%	

1. Total growth reduced by asset disposals including 77 Pacific Highway, NSW in May 2018 and 40 Cameron Avenue, ACT in July 2018.

For personal use only

Group update  
Financial results  
Commercial Property  
Communities  
Summary and outlook

# Statutory profit to FFO and AFFO reconciliation

\$m	FY19	FY18	Change
<b>Statutory profit</b>	311	1,025	(69.6)%
Adjusted for:			
Amortisation of lease incentives and lease fees	87	76	
Straight-line rent	(3)	(5)	
Net change in fair value of Commercial investment property <sup>1,2</sup>	202	(133)	
Net unrealised change in fair value of Retirement Living investment properties and obligation	76	25	
Unrealised DMF revenue	(26)	(31)	
Net loss/gain on financial instruments	140	7	
Net loss/gain on other financial assets	-	(26)	
Net loss/gain on sale of other non-current assets	21	(16)	
Net reversal of impairment of inventories	(1)	-	
Impairment of Retirement Living goodwill	38	-	
Restructuring cost <sup>3</sup>	5	-	
Tax expense/benefit – non-cash	47	(59)	
<b>Funds from operations (FFO)</b>	<b>897</b>	<b>863</b>	<b>4.0%</b>
Maintenance capital expenditure <sup>4</sup>	(47)	(51)	
Incentives and leasing costs for the accounting period <sup>5</sup>	(70)	(56)	
<b>Adjusted funds from operations (AFFO)</b>	<b>780</b>	<b>756</b>	<b>3.3%</b>
AFFO per security	32.5 cents	31.2 cents	4.2%

1. Includes Stockland's share of revaluation gains relating to commercial properties held through joint venture entities. (FY19: \$24m gain; FY18: \$40m gain).

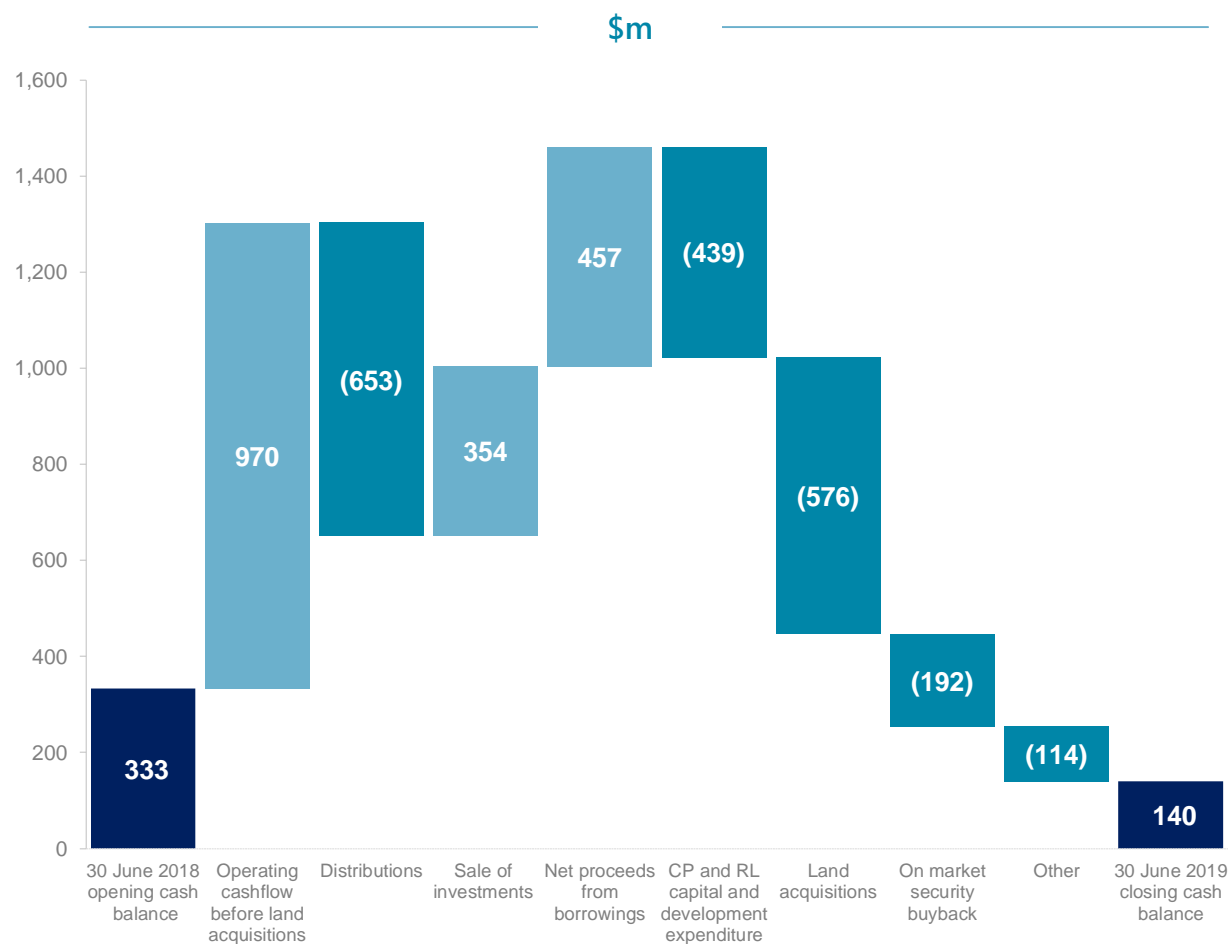
2. Includes stapling adjustment related to owner-occupied space.

3. One off restructuring cost associated with the significant Executive reorganisation in FY19.

4. Includes \$9m (FY18: \$7m) Retirement Living maintenance capital expenditure.

5. Excludes development centres.

# Operating cash flows



1. Exchanged or settled from 1 July 2018 to 21 August 2019.

## KEY AREAS OF CAPITAL EMPLOYED

- Operating cash flows declined due to land acquisitions and residential development expenditure to support future settlements in FY20 and beyond
- 96% of land payments relate to capital efficient acquisitions
- Commercial Property development pipeline
- Completed \$192m of \$350m securities buy-back program

## FUNDING AND LIQUIDITY

- Retail divestments of \$505m<sup>1</sup>, continuing to assess up to a further \$500m non-core retail divestments over time in a disciplined way
- Target further divestment of non-core Retirement Living villages
- Gearing remains between target range of 20-30%
- Significant covenant headroom maintained through updated debt documentation

For personal use only

Group update  
Financial results  
Commercial Property  
Communities  
Summary and outlook

For personal use only



# Commercial Property

Louise Mason



STOCKLAND BIRTINYA, QLD

# Solid operating performance

## Commercial Property

Key metrics	Asset value	FFO	FFO comparable change	Occupancy	WALE <sup>1</sup>	WACR <sup>2</sup>
 Retail Town Centres	\$6,851m	\$432m	(0.2)%	99.3%	6.0 yrs	5.9%
 Logistics	\$2,537m	\$164m	3.9%	96.5%	5.2 yrs	6.2%
 Workplace	\$800m	\$48m	10.4%	94.7%	3.7 yrs	5.8%
<b>Total</b>	<b>\$10,188m</b>	<b>\$644m</b>	<b>2.1%</b>			<b>6.0%</b>

2.1%

FFO comparable growth within FY19 guidance

Strong occupancy

throughout portfolio with a good WALE<sup>1</sup>

1. Weighted average lease expiry.
2. Weighted average capitalisation rate.

# Delivering on our strategy

## Clear and focused plan to improve portfolio quality and returns

### Business leadership

- New leadership team in place
- New roles dedicated to Placemaking and Portfolio Management
- Growing workplace development expertise
- Detailed and disciplined asset reviews
- Defined core and non-core assets
- Restructure of marketing capability to further deepen customer insights working with Technology and Innovation team

### Reposition Retail

- Core portfolio - leading centre in the trade area, strong forecast economic fundamentals, limited competition, ability to further enhance to deliver sustainable income growth
- Transacted \$505m<sup>1</sup> of non-core retail divestments within 2.1% of book value<sup>2</sup>
- Continuing to assess up to a further \$500m non-core divestments over time in a disciplined way
- Reduced development pipeline by more than 50%

### Strengthen Retail

- Strategic program of Placemaking has commenced across portfolio of assets
- Improved convenience through enhanced car-parking and last mile initiatives
- Improving online resilience through continued remix from fashion to food, services and experiences
- Technology and innovation to deliver a seamless shopping experience for our customers and retailers, respond to a rapidly changing retail environment

### Invest in Workplace and Logistics

- Progressed development opportunities
- Developing new JV opportunities, including Melbourne Business Park and western Sydney land
- Leverage unique opportunities across our masterplanned communities
- Exchanged contracts on remaining 50% interest to secure control of Stockland Piccadilly, Sydney, facilitating redevelopment planning, by divesting 50% interest in 135 King Street (incl. Glasshouse), Sydney<sup>3</sup>
- Increased portfolio exposure to 23%

1. Exchanged or settled from 1 July 2018 to 21 August 2019.  
 2. Based on independent valuation at time of settlement and current independent valuation at 30 June 2019 for exchanged assets.  
 3. Exchanged on 20 August 2019 and 21 August 2019 respectively.



# Valuation results mixed

## Commercial Property

Net valuation decline of \$199m<sup>1</sup> in FY19 with 98%<sup>2</sup> of assets independently revalued last 12 months



RETAIL \$6,851m<sup>3</sup>

\$(474)m valuation decline

5.9% WACR<sup>4</sup>

- Cap rate softening of 11bp
- ~35% of the devaluations were driven by capitalisation rate expansion
- ~50% driven by the softening of growth rates, and changes to rental income and capital cost re-forecasting, following the implementation of our strategy to remix tenancies and renew some leases at more sustainable levels
- ~15% driven by increased land taxes and rates



LOGISTICS \$2,537m<sup>3</sup>

\$202m valuation uplift

6.2% WACR<sup>4</sup>

- Uplift driven by development activity and leasing success
- Cap rate compression of 54bp



WORKPLACE \$800m<sup>3</sup>

\$73m valuation uplift

5.8% WACR<sup>4</sup>

- Uplift reflects 19bp cap rate compression primarily in Sydney assets

1. Excludes stapling adjustment for owner-occupied space.  
 2. By value.  
 3. At 30 June 2019.  
 4. Weighted average capitalisation rate.

# Rebasing rents and tenant remixing to drive income growth

## Retail Town Centres

### ACTIVE ASSET MANAGEMENT

- Rebased rents to deliver sustainable occupancy
- Sustainable specialty occupancy cost of 15.1% compares favourably to market average<sup>1</sup>
- Incentives stable on longer leases
- Forecast negative rent reversion in FY20 largely reflects tenant remixing
- Majority of specialty leases with fixed annual reviews of 3-5%
- Tenant demand adversely impacted by SME business access to credit



1. Urbis Sub-regional Shopping Centre Benchmark for Double DDS.
2. Occupancy reflects stable assets for the period and differs from Property Portfolio which includes all assets.
3. Excludes Unlisted Property Fund assets. Metrics relate to stable assets unless otherwise stated.
4. Includes project and unstable centre leases.

	FY19	FY18
Occupancy <sup>2</sup>	99.3%	99.4%
<b>Specialty retail leasing activity<sup>3</sup></b>		
Tenant retention	64%	61%
Total lease deals <sup>4</sup>	674	809
WALE	6.0 yrs	6.3 yrs
Specialty occupancy cost ratio <sup>5</sup>	15.1%	15.1%
Average rental growth on lease deals <sup>6</sup>	(2.9)%	0.0%
Renewals: number	275	250
rental growth <sup>6</sup>	(1.9)%	1.6%
New leases: number	195	195
rental growth <sup>6</sup>	(4.4)%	(2.0)%
incentives: months <sup>7</sup>	11.6	11.7
as % of rent over lease term <sup>8</sup>	15.3%	15.3%

5. Excludes divestments and unstable assets.
6. Rental growth on an annualised basis.
7. Represents the contributions made towards the retailers' fit outs, expressed in equivalent months of net rent.
8. Incentive capital as a percentage of total rent over the primary lease term only.

# Ongoing improvement in specialty sales

## Retail Town Centres

### ACTIVE ASSET MANAGEMENT

- 2.5% growth in comparable specialty sales to \$9,251 per square metre<sup>1</sup>, 6.3% above Urbis benchmark<sup>2</sup>
- Supermarket and DDS sales showing growth
- Specialty sales improving on a comparable basis, remixing and disposal of non-core assets driving growth

### KEY CATEGORIES CHANGE IN COMPARABLE SPECIALTY MAT<sup>4</sup>



**Mobile Phones**  
13.2%



**Retail Services**  
7.3%



**Leisure**  
4.0%



**Apparel**  
(2.0)%

### Total portfolio

### Comparable centres<sup>4</sup>

Category	MAT <sup>3</sup>	MAT growth <sup>3</sup>	MAT growth	2H19 growth
Total turnover	\$6,664m	5.1%	2.3%	3.8%
Specialties	\$2,084m	6.8%	1.8%	2.6%
Supermarkets	\$2,433m	5.3%	3.1%	5.6%
DDS/DS	\$882m	5.0%	3.0%	6.2%
Mini-majors	\$704m	3.9%	(0.5)%	(0.4)%
Other <sup>5</sup>	\$561m	0.0%	2.7%	1.7%

1. Stable centres, excludes divestments and development centres and adjusted for stores trading less than 12 months.
2. Urbis Sub-Regional Shopping Centre Benchmark for Double DDS.
3. Sales data includes all Stockland managed retail assets – including Unlisted Property Fund and JV assets.
4. Stable basket of assets as per SCCA guidelines, which excludes centres which have been redeveloped within the past 24 months. FY19 basket is different to FY18 basket.
5. Other includes pad sites, non-retail, and cinemas.

# Active remixing increasing resilience

## Concentrating exposure across higher quality assets

### IMPROVED RESILIENCE TO ONLINE SALES

- Specialty area remix in the last 6 years:
  - Fashion reduced by 10%
  - Food & Services increased by 15%
- Underpins rental growth with ~30% stronger rent per sqm achieved for Food & Services compared to Fashion
- Maintain non-discretionary focus currently ~70% sales

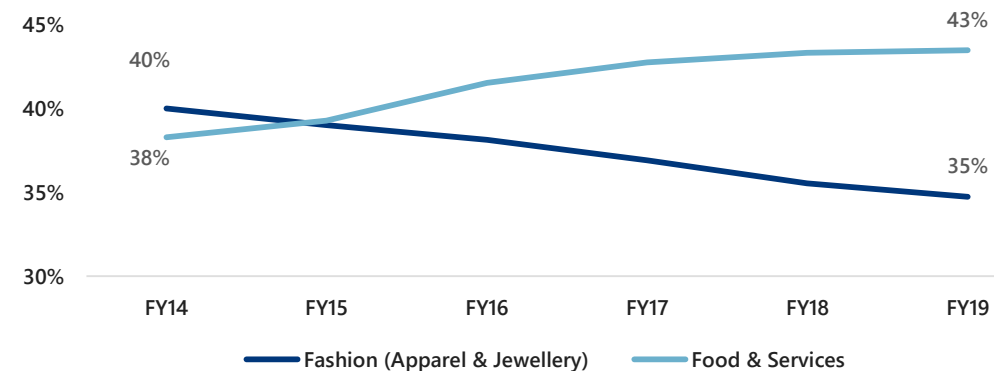
### DEFINED CORE PORTFOLIO

- Leading market share within main trade area
  - Average core market share exceeds non-core by ~40%
- Good forecast economic fundamentals of MTA underpinned by combination of discretionary income, wealth & population growth forecast
- Potential to reposition to stronger performing categories supported by customer demographic
- Competitive intensity and retail GLA demand / supply drivers

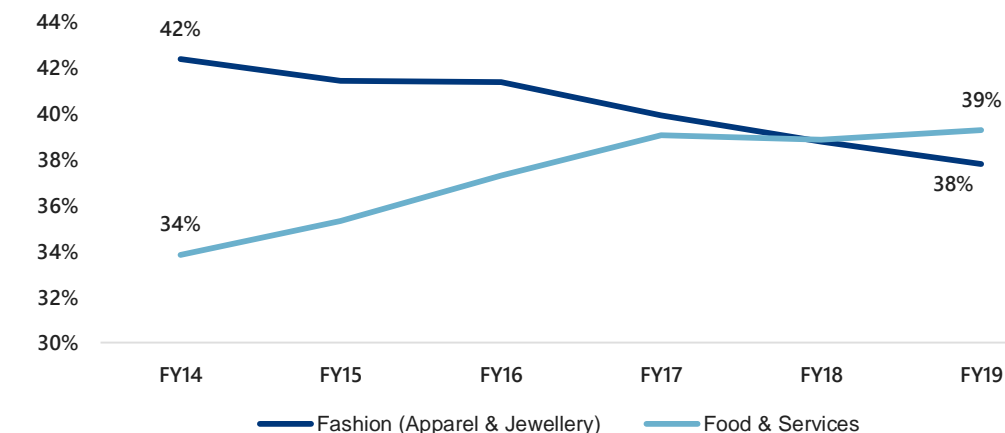
Comparable <sup>1</sup>	Core	Non-core
FFO comparable growth	0.8%	(3.1)%
MAT (MLA) specialty sales	\$9,392 sqm	\$8,853 sqm
Specialty occupancy cost ratio	15.4%	14.4%

1. Stable basket of assets as per SCCA guidelines, which excludes centres which have been redeveloped within the past 24 months.

### PROPORTION OF SPECIALTY RENT



### PROPORTION OF SPECIALTY AREA



# Active management improving sales

## Retail Town Centres

For personal use only



~10.2 million visitations  
foot traffic up 75% on  
pre-development traffic

27% above benchmark  
sales per sqm Food Retail<sup>1</sup>

+3.7% specialty sales growth  
driven by Food

1. Urbis Other Regional, Food Retail benchmark.

# Strong leasing and rental growth

## Workplace

- Strong comparable FFO growth of 10.4%
- Rental growth on new leases of 18.2%
- 86% of portfolio in Sydney
- Improving sentiment in Perth enquiry
- High tenant satisfaction score at 84%
- Exchanged contracts to acquire remaining 50% interest in Stockland Piccadilly, Sydney for \$347m and divest our 50% interest in 135 King Street (incl. Glasshouse), Sydney for \$340m<sup>1</sup>
- Over \$1bn development opportunities within the existing portfolio

Key metrics	FY19	FY18
Asset value	\$800m	\$774m
Leases executed	30,400 sqm	20,500 sqm
Leases under HOA <sup>2</sup>	960 sqm	7,300 sqm
Average rental growth on new leases and renewals	18.2%	6.3%
Portfolio occupancy <sup>3</sup>	94.7%	88.3%
Portfolio WALE <sup>3</sup>	3.7 yrs	3.5 yrs



1. Exchanged on 20 August 2019 and 21 August 2019 respectively.  
 2. At 30 June 2019.  
 3. By income.

# Growing portfolio delivers strong returns

## Logistics

- Strong comparable FFO growth of 3.9%
- Leasing demand remains strong with 408,700 sqm leased during the year
- WALE improved to 5.2 years from 4.1 years
- Disposal of non-core sites
- Completed \$99m developments at Yennora, Ingleburn and Willawong over 78,000 sqm GLA with risk adjusted IRRs over 10%<sup>1</sup> and FFO yields above 7.5%<sup>2</sup>
- 92% increase in asset base since 31 December 2013
- Over \$1bn development opportunity including:
  - 260 hectare Melbourne Business Park; 87 hectare planned subdivision DA lodged for stage 1
  - 3 hectare M\_Park Business Campus; 55,000 sqm NLA opportunity

Key metrics	FY19	FY18
Asset value	\$2,537m	\$2,228m
Leased area	408,700 sqm	324,400 sqm
Leases under HOA <sup>3</sup>	201,000 sqm	64,300 sqm
Average rental growth on new leases and renewals	0.6%	(1.6)%
Portfolio occupancy <sup>4</sup>	96.5%	98.7%
Portfolio WALE <sup>4</sup>	5.2 yrs	4.1 yrs



1. Estimated 10 year IRR on completion.  
 2. Fully leased year 1 yield.  
 3. At 30 June 2019.  
 4. By income.

# Redevelopment drives portfolio quality

## Logistics

For personal use only

Group update  
Financial results  
Commercial Property  
Communities  
Summary and outlook

<p><b>Yennora, Sydney – completed</b></p>  <p>13.9% IRR<sup>1</sup> on completion of brownfield development</p>	<p><b>KeyWest, Melbourne – active</b></p>  <p>30,000 sqm greenfield development in key Melbourne location</p>	<p><b>Yatala, Brisbane - active</b></p>  <p>10 year WALE first 2 buildings fully leased prior to completion</p>
<p><b>M_Park Business Campus, Macquarie Park, NSW - future</b></p>  <p>3 ha site   55,000 sqm NLA   Close to transport links</p>	<p><b>Melbourne Business Park, VIC - future</b></p>  <p>260 Ha site   Extensive main road footage   Close to transport links</p> <p>Melbourne Business Park™ Largest masterplanned industrial precinct in the rapidly growing western corridor</p>	

1. Estimated 10 year IRR on completion.



# Outlook<sup>1</sup>

## Commercial Property



### Retail environment remains challenging

- Rebasing of rents undertaken to create sustainable future growth
- Improving sales from non-discretionary remixing and placemaking



### Workplace & Logistics conditions expected to remain strong

- Progressing \$2bn pipeline in the eastern states



### Retail Town Centre income expected to stabilise through FY20 and grow moderately from FY21

~1%

### Comparable FFO growth forecast in FY20

1. Noting that market conditions remain variable and we are cautious about the pace of recovery.



Winner National Urban Taskforce 2019 Development Excellence Award



Best retail development



5 Star Green Star rating

For personal use only

# Communities

Andrew Whitson



Stockland

CALLEYA, PERTH

# Profit growth demonstrates resilience in a challenging market

## Residential

### EXECUTION OF STRATEGY DRIVES FY19 GROWTH

- Sydney and Melbourne price growth driving margin increase to 19.9%
- 5,878 settlements in line with revised guidance, despite the default rate rising to 7%, which is expected to improve in FY20
- 9 townhome projects actively selling – broadening market reach
- Capital partnership for 50% of Aura normalising submarket exposure<sup>1</sup>
- Disposal of The Grove (VIC) and Merrylands Court (NSW) to fund higher return projects
- Counter-cyclical restocking in core metro markets including Altona North (VIC) and Kalkallo (VIC)

### 10 OF THE TOP 20 HIGHEST SELLING COMMUNITIES NATIONALLY<sup>2</sup>

#### FY19 net deposits

Aura, QLD	511	Edgebrook, VIC	222
Mt Atkinson, VIC	357	Calleya, WA	216
Highlands, VIC	325	Minta, VIC	211
Cloverton, VIC	252	The Grove <sup>3</sup> , VIC	187
Newport, QLD	226	Vale, WA	175

1. Subsequent to year end.
2. National Land Survey, June 2019, Research4 – Annual market share FY19 (Greater Sydney, Melbourne, Perth and South East Qld).
3. Up to disposal date of 30 April 2019.
4. Includes 371 Brisbane Casino Towers settlements.

\$362m

Operating profit / FFO

8.0%

Operating profit / FFO growth

19.9%

Operating profit margin

18.7%

ROA

5,878

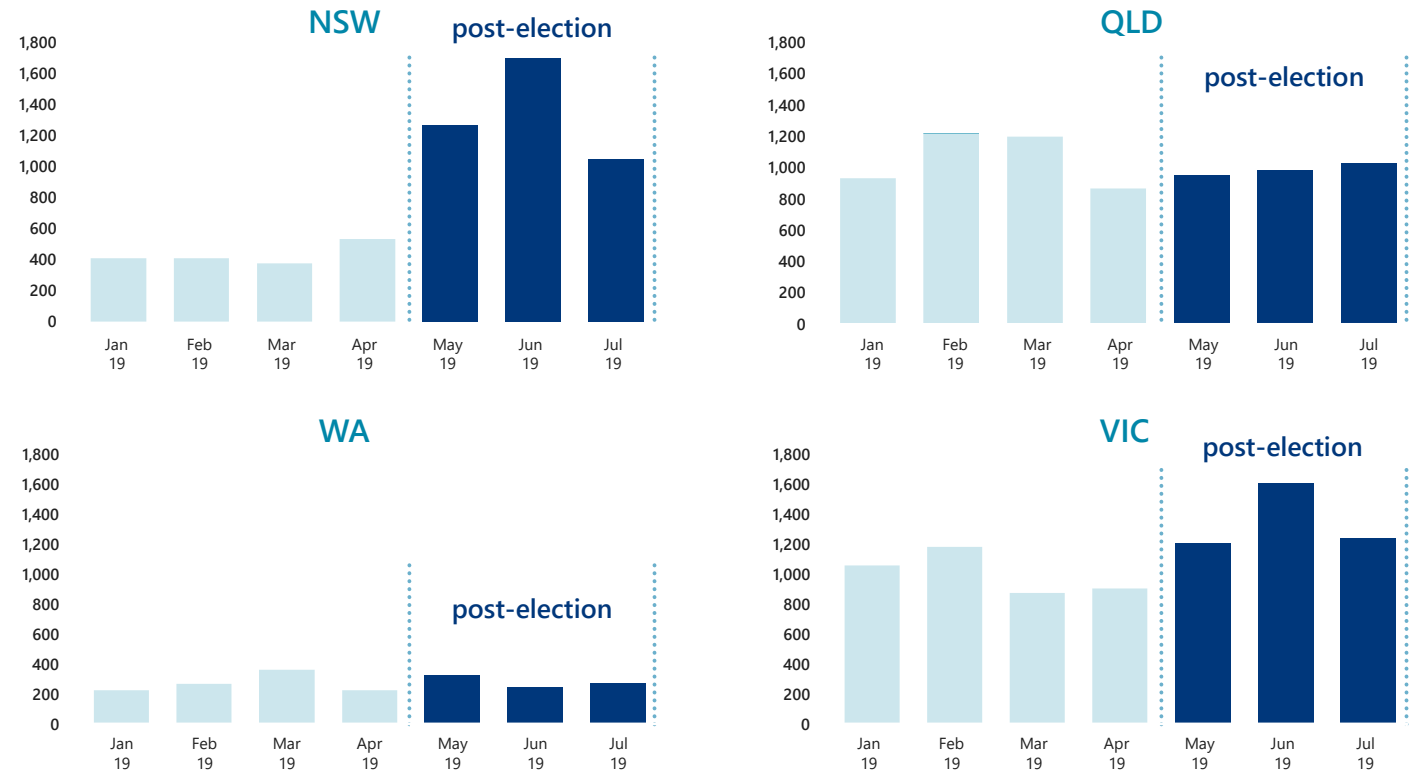
Total lots settled<sup>4</sup>

# Improving market conditions post the Federal election

## Residential

- Increased enquiry in Sydney and Melbourne following the Federal election and interest rate cuts
- Access to credit remains challenging, impacting conversion and settlement timeframes
- Stock overhang expected to take time to clear
- Prices have stabilised and sales volumes expected to increase in FY20 from current levels

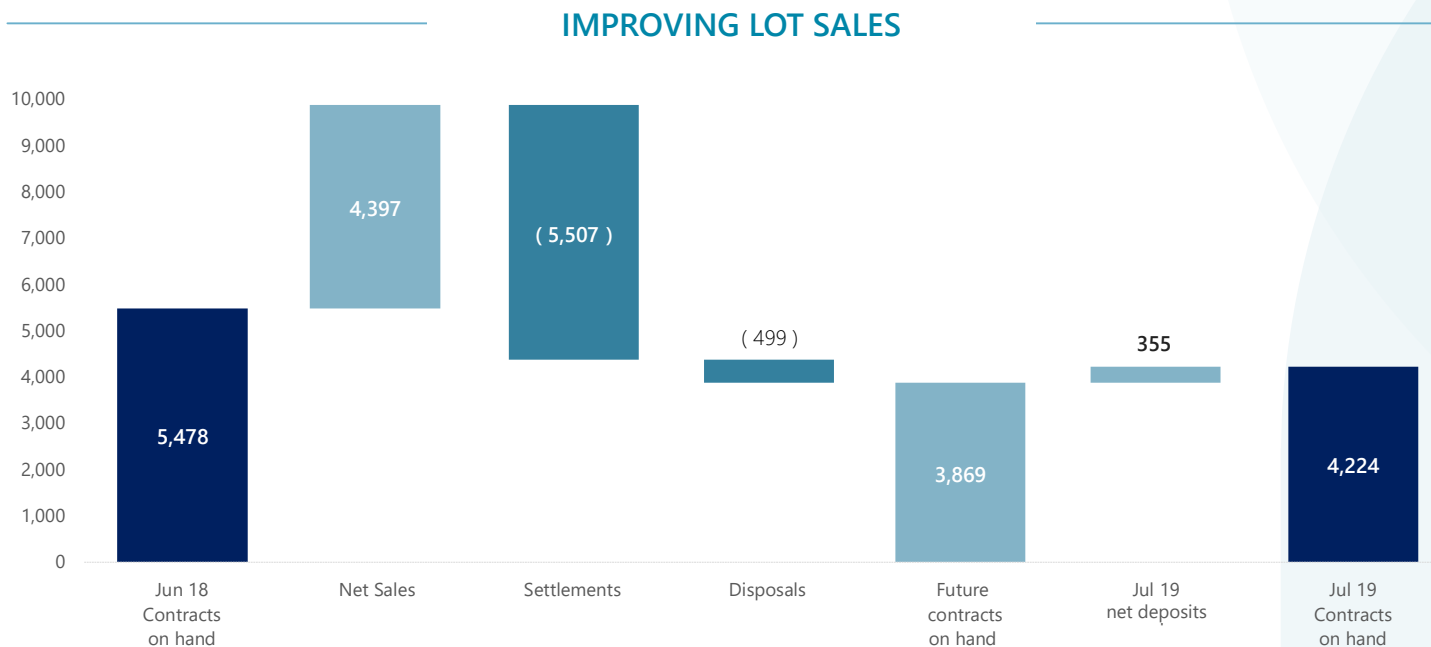
TOTAL ENQUIRY BY STATE



# Contracts on hand and improving sales underpin FY20 outlook<sup>1</sup>

## Residential

- 846 net deposits in 4Q19, above expectation of around 700
- 3,324 contracts on hand due to settle in FY20 giving good visibility to settlement volumes in the year ahead – secured income of \$1.4bn<sup>2</sup>
- Forecast FY20 settlements over 5,000 lots including around 500 townhomes
- Operating profit margin to remain ~19% for FY20, above through cycle range of ~14%
- Aura JV and The Grove disposal contribute \$80m to profit in FY20



1. Noting that market conditions remain variable and we are cautious about the pace of recovery in the residential market.  
 2. Includes revenue secured for the disposal of Merrylands Court, The Grove and 50% JV sale of Aura.  
 3. Of the 3,869 contracts on hand, 3,324 are due to settle in FY20, with the balance in FY21+.

# Competitive advantage drives market share to 15%<sup>1</sup>

## Residential



### Brand

- For over 60 years, Stockland has been **Australia's leading creator** of sustainable, liveable and connected communities
- We **"measure what matters"** through our liveability index and use this data to continuously improve
- Focus on providing an exceptional customer experience and measuring customer satisfaction – achieved **93%** in FY19



### Scale

- Our market share is more than **three times** that of our nearest competitor, giving us unique competitive advantages including:
  - Increased buying power to deliver our product at lower cost
  - The ability to invest in technology including Salesforce and AI to increase lead generation and sales productivity
  - Better understanding of what our customers want

1. National Land Survey, June 2019, Research4 – annual market share FY19 (Greater Sydney, Melbourne, Perth and South East Qld).



# High quality landbank underpinning future earnings

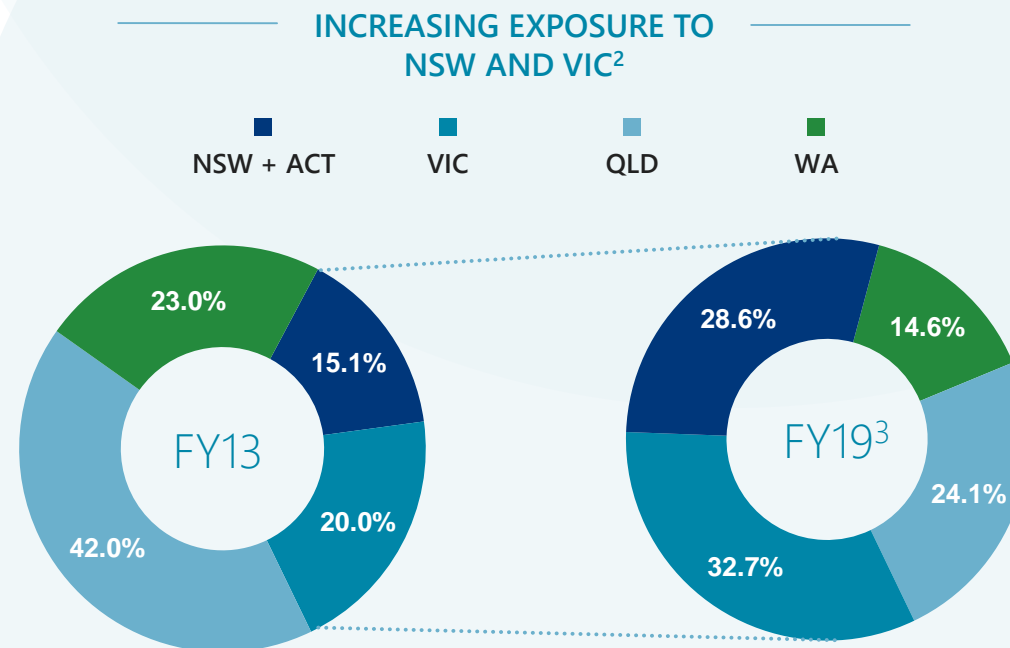
## Residential



### Landbank

- 76,000<sup>1</sup> lot landbank with an average age of 10 years, skewed towards rail serviced growth corridors in Sydney and Melbourne
- First settlements from 8 new projects over the next 24 months to drive landbank activation and ROA
  - FY20 Waterlea (VIC), Orion (VIC), Minta (VIC), Grandview (VIC)
  - FY21 Red Hill (ACT), West Dapto (NSW), Hope Island (QLD), Paradise Waters (QLD)
- Disciplined re-entry into the apartment market to broaden customer reach
  - DAs lodged for Parramatta (NSW) and Rosebery (NSW)

1. Represents lots managed by Stockland.  
 2. By book value.  
 3. Adjusted for Aura JV.



# Results underpinned by village disposals and development settlements

## Retirement Living

- Enhanced product offer driving increased development settlements
- Established settlements lower for the year due to challenging residential market
- Lower turnover cash per unit reflecting repricing
- ROA impacted by investment in development villages that will generate returns over the next 24 months
- Additional \$11m in profit from village disposals vs FY18
- Retirement Living fair value reduced by \$53m due to repricing of stock to meet current market conditions and changes in the growth rate and vacancy assumptions
- Sales improving in 2H19 relative to housing market:

	1H19	2H19
Established sales	283	283
Development sales	140	147

5.7%

FFO growth

53%

Development settlements up

(11)%

Established settlements down

16%

Carry forward reservations up

4.5%

ROA



# Retirement Living strategy

## Disciplined execution of Retirement Living strategy



### Improve quality of our portfolio

- Leveraging our landbank to drive growth through development
- Progressing pipeline of 10 land lease communities
- Sale of three non-core villages in Victoria at around book value



### Increase returns through development pipeline and capability

- Capital expenditure down 20% in FY20 vs prior year
- Repricing established and developed units to improve occupancy
- Discussions regarding potential capital partnership continuing



### Enhance customer experience and satisfaction

- Optimising Salesforce to drive conversion and improve sales productivity
- Providing greater certainty for residents, with 80% of customers choosing peace of mind contract in Q4
- Improved service and care offer through Benefits Plus program

# Future growth through development pipeline

## Retirement Living

- Over 3,500 total development units in the pipeline
- 12 completed and under construction projects delivering settlements over the next three years
- 10 land lease communities identified within the landbank, delivering over 2,000 units
- Broadening market reach by offering a range of products, including Aspire, traditional retirement villages, vertical retirement villages and land lease communities

Land lease pipeline	Approximate yield	First settlements
Aura, QLD	250	FY22
North Shore, QLD	200	FY22
Minta, VIC	180	FY22
Cloverton, VIC	180	FY23
Sienna Wood, WA	200	FY23
West Dapto, NSW	200	FY23
Highlands, VIC	230	FY24+
Grandview, VIC	200	FY24+
Paradise Waters, QLD	200	FY24+
Caboolture West, QLD	200	FY24+



# Strong position for the future

## Communities

- Delivered growth in challenging market
- Disciplined focus on executing strategy
- Well positioned to leverage our brand, scale and landbank to take advantage of the current cycle

# Summary and outlook

Mark Steinert



# Group strategy

Deliver sustainable and growing returns through community creation, leading Retail Town Centres and growing Workplace and Logistics



## Commercial Property

- Concentrated exposure across higher quality assets
- Increase Workplace & Logistics asset allocation through development pipeline
- Funded by non-core retail divestments



## Communities

- Continued focus on creating liveable, affordable and connected communities
- Counter-cyclical residential acquisitions
- Reshape Retirement Living portfolio through non-core village disposals and capital partnership
- Growth through Retirement Living development pipeline



## Group

- Improve customer experience to drive sustainable growth
- Maintain balance sheet capacity
- Innovation and digitisation
- Process improvement
- Ongoing culture improvements to strengthen our execution capability
- Disciplined cost control, leveraging new systems and processes

# Portfolio allocation

For personal use only

CAPITAL ALLOCATION AT 30 JUNE 2019 <sup>1</sup>		TARGET CAPITAL ALLOCATION <sup>1</sup>
32%	 Communities	20-30%
23%	 Workplace & Logistics	25-35%
45%	 Retail Town Centres	40-45%

## ACTIVE CAPITAL MANAGEMENT

### Strong investment grade ratings

- A-/Stable (S&P)
- A3/Stable (Moody's)

### Targets

- Optimise WACC
- 70:30 recurring income/active income
- Group ROE >10%

### Total return (IRR)

- 7-9% pa recurring income assets
- 12-16% pa active income assets

### Distribution Policy

- Target payout ratio: 75-85% of FFO
- Distribution growth aligned to FFO per security growth

1. Net funds employed including Unlisted Property Fund Assets (19.9% ownership) WIP and sundry properties.



# FY20 outlook<sup>1</sup>

## Disciplined focus on execution of strategy

### Commercial Property

1% comparable FFO growth

Retail FFO expected to stabilise

Logistics & workplace FFO forecast to grow moderately

### Residential

>5,000 lot settlements

Including around 500 townhomes

Market has bottomed, pace of recovery unclear due to credit availability

Operating profit margin to remain ~19%, above through cycle range of ~14%

### Retirement Living

>850 established and development settlements

Accelerate development pipeline

Continue capital partnership discussions

Non-core village divestments

### Group

\$8m pa savings

Simplifying business structure to more closely align with our strategy

### Guidance

Forecast flat growth in FFO per security

Forecast flat growth in distribution per security

Distribution payout at bottom end of target ratio of 75-85%

1. Noting that market conditions remain variable and we are cautious about the pace of recovery in the residential market.



## Stockland Corporation Limited

ACN 000 181 733

Stockland Trust Management Limited

ACN 001 900 741; AFSL 241190

As responsible entity for Stockland Trust

ARSN 092 897 348

LEVEL 25

133 Castlereagh Street

SYDNEY NSW 2000

### Important Notice

While every effort is made to provide accurate and complete information, Stockland does not warrant or represent that the information in this presentation is free from errors or omissions or is suitable for your intended use. This presentation contains forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this presentation. Actual results, performance or achievements could be significantly different from those expressed in, or implied by these forward looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in the release.

The information provided in this presentation may not be suitable for your specific needs and should not be relied upon by you in substitution of you obtaining independent advice. Subject to any terms implied by law and which cannot be excluded, Stockland accepts no responsibility for any loss, damage, cost or expense (whether direct or indirect) incurred by you as a result of any error, omission or misrepresentation in this presentation. All information in this presentation is subject to change without notice. This presentation is not an offer or an invitation to acquire Stockland stapled securities or any other financial products in any jurisdictions, and is not a prospectus, product disclosure statements or other offering document under Australian law or any other law. It is for information purposes only.