

# Mark Steinert, Managing Director & CEO

25 February 2020

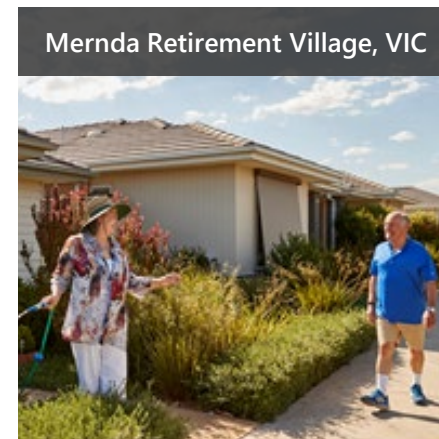
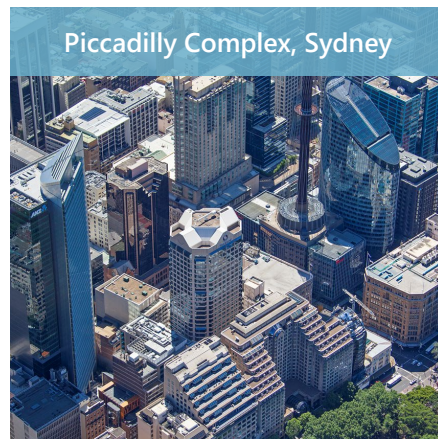


BARINGA, QLD

# Stockland quick facts

Trust – \$10.4bn<sup>1</sup>

Corporation - \$4.7bn<sup>2</sup>



Create market leading retail town centres

Grow and develop a leading portfolio

Grow premium portfolio

Maximise returns by creating thriving communities

Leading operator and developer

**43%** portfolio weighting<sup>3</sup>

**19%** portfolio weighting<sup>3</sup>

**7%** portfolio weighting<sup>3</sup>

**22%** portfolio weighting<sup>3</sup>

**9%** portfolio weighting<sup>3</sup>

**32** assets

**29** assets

**6** assets

Over **76,000** lots remaining

**63** Established Villages  
Over **9,200** units

Ownership interests valued at **\$6.6bn**

Ownership interests valued at **\$2.8bn**

Ownership interests valued at **\$1.0bn**

Net funds employed **\$2.3bn**  
End market value **\$21.4bn**

Book value **\$1.4bn**

1. Excludes Unlisted Property Fund Assets (19.9% ownership), WIP and sundry properties.

2. Includes Residential book value of \$3.3bn and Retirement Living book value of \$1.4bn.

3. Includes Unlisted Property Fund Assets (19.9% ownership), WIP and sundry properties.

# Result on track for full year guidance

FFO reflects second half skew in Communities

6 months to 31 December 2019

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

\$384m

(5.6)%

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

16.1 cents

(4.2)%

## Weighted average cost of debt

4.4%

4.0% FY20 expected  
weighted average  
cost of debt<sup>2</sup>

## Gearing

26.1%

Within target range  
of 20 – 30%

## Statutory profit

\$504m

+68.1%

## Distribution per security (DPS)

13.5 cents

84% Distribution  
payout ratio

## Net tangible assets (NTA) per security

\$4.12

+2.0%<sup>3</sup>

## Investment grade credit ratings

A-/Stable S&P

A3/Stable Moody's

1. Funds from operations (FFO) and Adjusted Funds From Operations (AFFO) are determined with reference to the PCA guidelines.
2. Assuming no material change in market conditions.
3. Compared to 30 June 2019 NTA per security of \$4.04.

# Strong momentum delivering key strategic priorities

6 months to 31 December 2019

Priority	Achievements	
Increase Workplace and Logistics weighting	Acquisition	<ul style="list-style-type: none"> <li>Portfolio weighting increased to 26% (from 23%)</li> <li>Strategic acquisition of 118 and 122 Walker Street<sup>1</sup> buildings within the prime North Sydney CBD (NSW)</li> <li>Secured 100% ownership of Piccadilly, funded through the disposal of 50% interest in 135 King Street, in Sydney (NSW)</li> <li>Purchased two Brisbane (QLD) logistics developments in prime industrial zone on an initial yield of 6%</li> </ul>
	Development	<ul style="list-style-type: none"> <li>Doubled development pipeline to \$4.3bn<sup>2</sup></li> <li>Completed approximately 45,000 sqm of developments including KeyWest (VIC) Distribution Centre and Yatala (QLD) Stage 1</li> </ul>
Improve the quality of our portfolio	Logistics	<ul style="list-style-type: none"> <li>Stage 1 DA approved at M_Park Business Campus (NSW) \$500m<sup>2</sup> development</li> <li>Optus renewed 84,194 sqm lease at Optus Campus, Macquarie Park (NSW) for 12 years</li> <li>Completed \$57m developments, IRRs &gt;8%<sup>3</sup>, FFO yields &gt;6.5%</li> <li>Divested non core assets for \$114m<sup>4</sup></li> </ul>
	Retail	<ul style="list-style-type: none"> <li>Improving online resilience through continued remix from fashion and jewellery to food, services and experiences</li> <li>Completed \$505m non core retail divestments since December 2018 with \$220m settled in 1H20</li> <li>Divested<sup>5</sup> \$86m of retail centres on behalf of SDRT1, a Stockland managed fund, 2.7% above 30 June 2019 book value</li> <li>Continuing to assess a further \$500m non core divestments over time in a disciplined way</li> </ul>

1. Acquisition of 118 Walker Street completed on 8 November 2019, acquisition of 122 Walker Street expected to complete in July 2020.

2. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval.

3. Estimated 10 year IRR on completion.

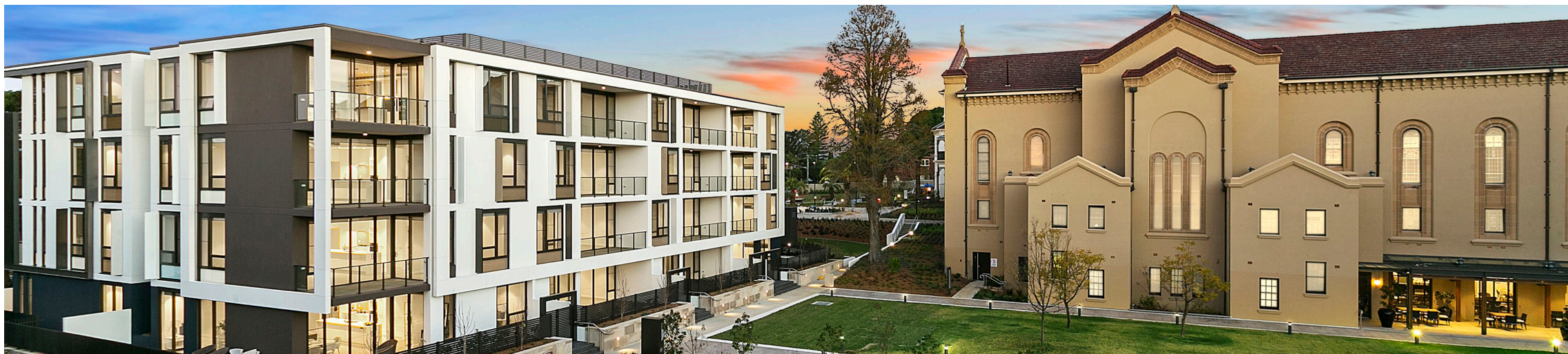
4. Transactions previously announced in FY19 results disclosures.

5. Exchanged and/or settled from 1 July 2019 to 19 February 2020.

# Strong momentum delivering key strategic priorities

6 months to 31 December 2019

Priority	Achievements	
Accelerate Communities growth opportunities	Residential Communities	<ul style="list-style-type: none"> <li>Competitive advantage drives increased residential market share from 15% (at 30 June 2019) to 16%<sup>1</sup></li> <li>Executed early cycle restocking with acquisition of 1,500 lots at Donnybrook (VIC)</li> </ul>
	Retirement Living	<ul style="list-style-type: none"> <li>DAs for land lease communities at Aura (QLD) and North Shore (QLD) lodged</li> <li>Progressing business improvement plan with 12% increase in established sales in 1H20 compared to 1H19</li> </ul>
Broaden sources of capital	Group	<ul style="list-style-type: none"> <li>Joint venture at Kemps Creek, Western Sydney (NSW) with Fife Group, \$1.1bn<sup>2</sup> end value</li> <li>50/50 strategic capital partnership at Aura, a \$5bn<sup>2</sup> masterplanned community in QLD, with Capital Property Group</li> <li>Debt facility with Clean Energy Finance Corporation (CEFC) for \$75m</li> </ul>



1. National Land Survey, December 2019, Research4 – annual market share 1H20 (Greater Sydney, Melbourne, Perth and South East QLD).

2. Estimated end value, represents 100% interest.

## Sustainability leadership

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### 2nd globally

In the Dow Jones Sustainability Index  
10 years rated in global top five

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### Global Sector Leader

For Listed, Diversified – Office/Retail  
in the Global Real Estate Sustainability Benchmark

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### Climate A-List

Fourth year on CDP Climate A-List  
Only Australian company consistently recognised

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### AAA ESG rating

MSCI ESG Rating

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# Driving operational excellence

## Customer innovation

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### Live chat for Residential sales

~4,000 enquiries, \$16m in sales to date  
Rolled out nationally in September 2019

### ShopAI Campaign

Christmas digital shopping guide chatbot  
driving a 64% increase in page views for gifts

### Logistic assets website

Interactive floor plans for tenants

### Stockland Loyalty

Driving residential sales with Refer-a-Friend  
and Buy Again

### Our brand ranked in the top 30

Companies in Australia with Reputation Score  
outranking all our peers in the property  
industry<sup>1</sup>

## People and leadership

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### Remuneration review

External review underway of our remuneration  
structure to align reward with our refreshed  
strategic priorities

### Building culture and capabilities

Strengthening Stockland, an integrated  
program of culture change, focused on  
leadership, structure, capability, processes and  
systems will underpin our strategic delivery

### Board charter and key policies

Focus on governance and compliance with key  
workstreams on whistleblowing, sustainability,  
climate change and modern slavery

1. RepTrak March 2019 Report.

# Solid operating performance

## Commercial Property

Key metrics	Asset value <sup>1</sup>	Valuation movement	FFO	FFO comparable change	Occupancy	WALE <sup>2</sup>	WACR <sup>3</sup>
Logistics	\$2,771m	\$219m	\$81m	3.9%	98.3%	5.4 yrs	5.7%
Workplace	\$1,032m	\$11m	\$26m	6.1%	94.1%	3.6 yrs	5.9%
Retail Town Centres	\$6,628m	\$(31)m	\$209m	0.7%	99.4%	6.0 yrs	5.9%
<b>Total</b>	<b>\$10,431m</b>	<b>\$199m</b>	<b>\$316m</b>	<b>2.0%</b>			<b>5.9%</b>

1. Book value at 31 December 2019, excluding Unlisted Property Fund assets (19.9% ownership), WIP and sundry properties.

2. Weighted average lease expiry.

3. Weighted average capitalisation rate

4. By value

2.0%

FFO comparable growth in 1H20

Strong occupancy

throughout portfolio with a sustainable WALE<sup>2</sup>

\$10.4bn

total asset value

\$199m

net valuation uplift

in 1H20 with 49%<sup>4</sup> of assets independently revalued in the last six months

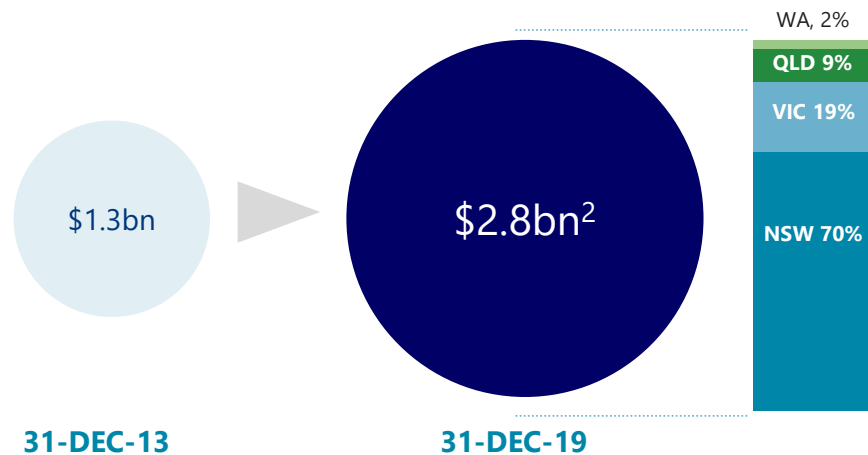
# Growing portfolio delivers strong returns

## Logistics

- Portfolio value more than doubled since 31 December 2013 through asset creation
- One of the largest logistics portfolios among listed A-REITs
- 98%<sup>1</sup> of assets located on the eastern seaboard
- Valuations improving as quality of portfolio grows



### Portfolio growth and geographic exposure



1. By value.  
 2. Excludes WIP and sundry properties.  
 3. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval.

29 assets	19% portfolio weighting increased by 8% from 31-Dec-13
\$2.8bn <sup>2</sup> portfolio value	\$2.1bn <sup>3</sup> development pipeline

# \$0.6bn<sup>1</sup> business park development pipeline

## Logistics

M\_Park Business Campus, Macquarie Park, NSW



3 Ha site

\$500m<sup>1</sup> development with 55,000 sqm NLA opportunity

16,000 sqm NLA  
Stage 1 DA approved Dec 2019

Actively seeking pre commitments

Optus Campus, Macquarie Park, NSW



7.6 Ha site

12 year lease to Optus

84,194 sqm NLA leased

Building upgrade DA approved

Net valuation upside 21.6%

Close proximity to Macquarie University Station and Macquarie Park Station expected to link to the Metro line in 2024<sup>2</sup>:

- 15 mins to North Sydney
- 18 mins to Barangaroo
- 23 mins to Pitt Street, Sydney CBD

1. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval.  
2. Source [www.sydneymetro.info](http://www.sydneymetro.info)

# Strong leasing and rental growth

## Workplace

- Strong comparable FFO growth of 6.1%
- Rental growth on new leases and renewals of 15.8%
- Portfolio occupancy<sup>1,2</sup> of 94.1% with a WALE<sup>1,2</sup> of 3.6 years
- 91% of portfolio located in Sydney
- Acquired remaining 50% interest in Stockland Piccadilly for \$347m (yielding ~5.5%) and divested 50% interest in 135 King Street for \$340m<sup>3</sup> (yielding ~4.25%), Sydney (NSW)
- Strategic acquisition of 118 and 122 Walker Street sites<sup>4</sup>, amalgamated with our existing asset, creating potential 60,000 sqm NLA prime office space in North Sydney (NSW)
- Progressed in house asset and development management capability, now internally managing 90% of built up book value, up from 20% at 30 June 2019

6 assets  
\$1.0bn<sup>5</sup> portfolio value  
7% portfolio weighting  
\$2.2bn<sup>6</sup> development pipeline

1. At 31 December 2019.  
2. By income.  
3. Settled in November 2019.  
4. Acquisition of 118 Walker Street completed on 8 November 2019, acquisition of 122 Walker Street expected to complete in July 2020.  
5. Excludes WIP and sundry properties.  
6. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval.

# \$2.2bn<sup>1</sup> development pipeline

## Workplace

### Walker Street, North Sydney, NSW



2,300 sqm  
amalgamated landholding

Up to 60,000 sqm proposed NLA

Close proximity to future  
Victoria Cross Station

**M** new metro train station,  
expected to open in 2024<sup>2</sup>

### Piccadilly, Sydney CBD, NSW



Located in the mid-town Sydney  
CBD

Development planning  
commenced

~5,000 sqm site area  
with dual frontage of Castlereagh  
and Pitt Streets

**M** new metro train station,  
expected to open in 2024<sup>2</sup>

**T** existing Townhall Station

1. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval.  
2. Source [www.sydneymetro.info](http://www.sydneymetro.info)

# Stable performance, tracking to guidance

## Retail Town Centres

- Income and capital performance tracking to guidance
- Underpinning a solid sales performance by actively stabilising the portfolio;
  - through a program of rebasing rents and up-weighting to Food and Services categories
- Occupancy maintained at 99.4%
- 3.3% growth in comparable moving annual turnover (MAT) driven by remixing to non discretionary categories and non core asset disposals
  - comparable specialty sales growth of 2.7%
- Diversified MAT ~70% low and non-discretionary

### Key categories change in comparable specialty MAT<sup>2</sup>



**Mobile Phones**  
10.8%



**Retail Services**  
6.8%



**Food Catering**  
3.2%



**Apparel**  
(0.1)%

32

assets

\$6.6bn<sup>1</sup>

portfolio value

43%

portfolio weighting  
target exposure to <40% over  
the next five years

(0.5)%

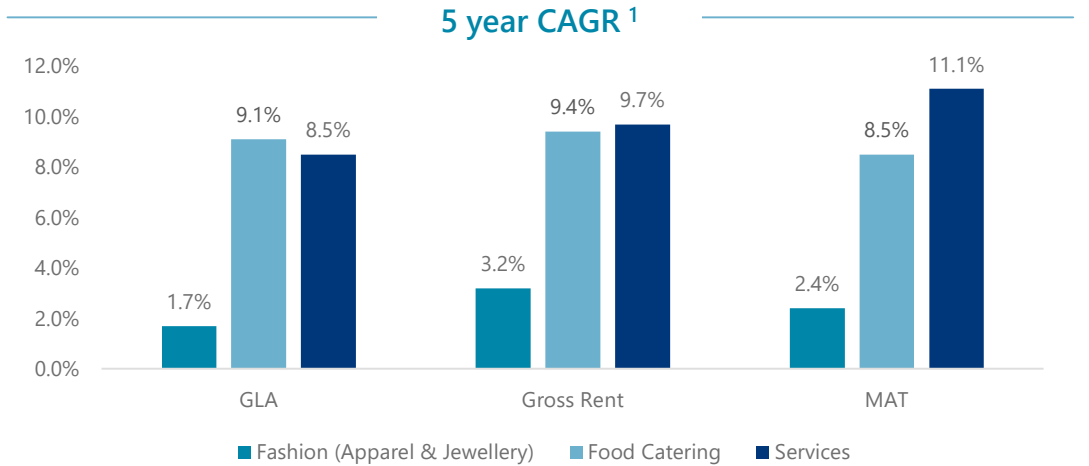
valuation decline<sup>3</sup>

1. Excludes Unlisted Property Fund assets (19.9% ownership), WIP and sundry properties.  
2. Comparable basket of assets as per SCCA guidelines, which excludes Greenhills, Birtinya, Baringa which have been redeveloped within the past 24 months  
3. From 30 June 2019.

# Remixing and placemaking support positive rental and sales growth

## Retail Town Centres

- Remixing to Food Catering and Services yielding higher rental and sales productivity compared to Fashion
- Accelerated to focus on higher growth categories
- Remixing to enhance:
  - low discretionary categories (Services & Food)
  - higher experiential categories (The Bavarian, Malt Shovel Tap House and Lantern Lane Precinct)
  - increase resilience against online shopping



Stockland Shellharbour, Wetherill Park, Green Hills NSW  
The Bavarian



Stockland Cairns, QLD  
Lantern Lane



Stockland Birtinya, QLD  
Malt Shovel Tap House

1. Includes Unlisted Property Fund Assets (19.9% ownership) and WIP from 31 December 2014 to 31 December 2019.

# On track to deliver guidance for FY20

## Residential

### Execution of strategy drives 1H20 growth

- Improving sales with 2,158 settlements<sup>1</sup> (including 266 townhome settlements) on track to deliver above 5,200 settlements for the full year
- 6.0% FFO decline reflects the impact of low sales volume in FY19 carrying into 1H20
- Operating profit margin reflects 2H skew to high margin Sydney projects and settlement timing of Merrylands Court (NSW) and The Grove (VIC)<sup>2</sup>
- Default rates declined to 3.5% in December 2019 quarter
- Executed early cycle restocking with acquisition of sites including Donnybrook (VIC) and a focus on finalising a number of significant opportunities in the near term
- 1,350 net deposits in 2Q20, exceeding expectations and in line with long term average
- 2,499 net deposits in 1H20 represents ~38% increase compared to 2H19 of 1,809



2,158

Total lots settled<sup>1</sup>

(12.3)%

Total lots settled<sup>1</sup>

\$134m

FFO

(6.0)%

FFO

17.2%

Operating profit margin

19.3%

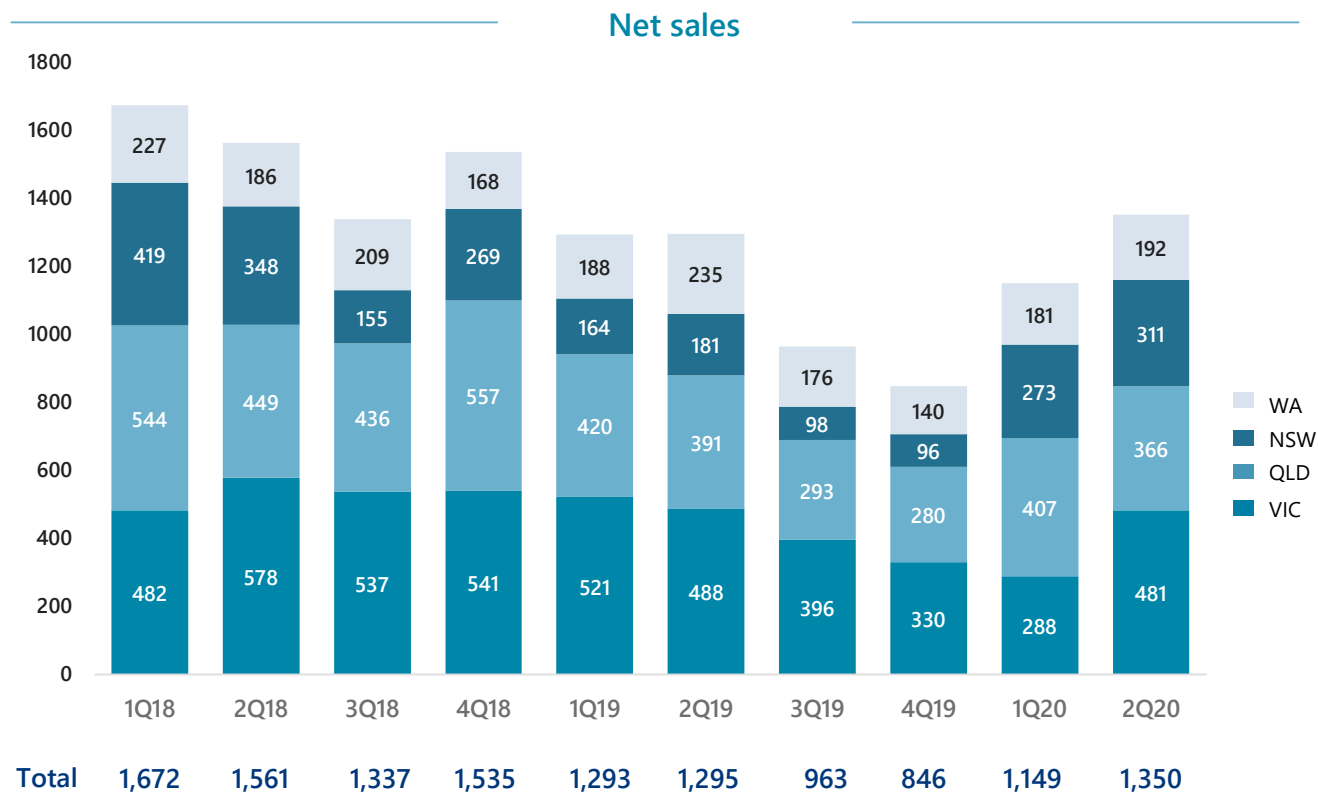
ROA

1. Includes 534 (1H19: 74) settlements under joint venture and project delivery agreements and six settlements from Brisbane Casino Towers (1H19: 326).
2. Merrylands Court settled on 9 January 2020. The second of the three tranches at The Grove is expected to settle in 4Q20.

# Strong net sales in 2Q20 underpinning outlook for FY20 and beyond<sup>1</sup>

## Residential

- Net sales result underpinned by market strength on the eastern seaboard with the return of owner occupiers and investors
- 1,350 net deposits in 2Q20, exceeding expectations and in line with long term average
- 2,499 net deposits in 1H20 represents ~38% increase compared to 2H19 of 1,809
- Price growth is emerging in NSW and VIC, with rebates being withdrawn from the market
- Continuing flight to quality with six Stockland communities in the top 10 fastest selling projects nationally
- Over 4,200 contracts on hand giving good visibility to settlement volumes in FY20 and into FY21



1. Assuming no material change in market conditions.



# Positioned to leverage strengthening residential market

- Competitive advantage drives market share to 16%<sup>1</sup>



Brand



Scale



76,000 lot landbank<sup>2</sup>

- On track to deliver over 5,200 settlements and operating profit margin ~19% in FY20
- Strong sales results and a normalised default rate are expected to drive settlements to the top end of our through the cycle range in FY21
- ~10% contribution from Townhome settlements in FY21
- Skew back to high margin Sydney and Melbourne projects expected over 2H20 and FY21
- Full year of settlements from Minta (VIC), Grandview (VIC), Orion (VIC), Waterlea (VIC) in FY21
- First settlements from three new projects over the next 24 months to drive landbank activation and ROA
  - Red Hill (ACT), Hope Island (QLD), and Donnybrook (VIC)

1. National Land Survey, December 2019, Research4 – annual market share 1H20 (Greater Sydney, Melbourne, Perth and South East Qld).  
2. Represents lots under control of which ~28,000 are under joint venture and project delivery agreement.

# Strategic initiatives and market improvement driving sales performance

## Retirement Living



Enhance customer experience and satisfaction



Increase returns through development pipeline and capability



Improve quality of our portfolio

- Over 12% improvement in established sales in 1H20 compared to 1H19<sup>1</sup> with a ~30% increase in contracts on hand compared to 30 June 2019
- Portfolio on track to deliver FY20 guidance of over 850 settlements
- Development sales impacted by project completion timing
- FFO decline of 13.8% reflects change in development settlement mix
- Expecting second half profit skew due to settlement timings and non core village disposal profit
- Targeted repricing to drive increased occupancy
- Continue to build land lease community pipeline which is now over 2,000 dwellings

412

Total units settled

14.8%

On 1H19

\$17m

FFO

(13.8)%

On 1H19

5.9%

Total contracts on hand increase<sup>2</sup>

4.5%

ROA

1. Prior period restated to exclude the 2H19 disposal of three Victorian villages; Taylors Hill, Keilor, Burnside.
2. Compared to 30 June 2019.

# Creating value through our diversified model, asset creation capabilities and brand

- Focused strategy to leverage our diversified model to grow returns and improve portfolio quality
- Well positioned for future growth and to deal with structural retail challenges
- Accelerating built form and acquisitions to leverage the residential cycle
- Growing our workplace and logistics portfolio using vertically integrated capabilities, \$4.3bn<sup>1</sup> pipeline
- Continue to actively reweight the portfolio to balance our exposure to Communities, Workplace and Logistics and Retail Town Centres over the next five years

1. Stockland share of expected incremental development spend, excluding land cost and subject to planning approval.  
 2. Includes Unlisted Property Fund Assets (19.9% ownership) WIP and sundry properties.  
 3. Excludes UK and apartments, representing 1%, at 31 December 2013.

	Capital allocation <sup>2</sup>		
	31-Dec-13 <sup>3</sup>	31-Dec-19	~5 year target
Communities	29%	31%	~30%
Workplace and Logistics	21%	26%	~30%
Retail Town Centres	49%	43%	<40%

# FY20 outlook<sup>1</sup>

## Disciplined focus on execution of strategy

### Commercial Property

~1%  
comparable FFO growth

Workplace and logistics FFO forecast to grow moderately

Retail FFO impacted by retailer administrations

### Residential

>5,200  
lot settlements

Including around 500 townhomes

Market is improving on the eastern seaboard

Operating profit margin to remain ~19%

### Retirement Living

>850  
established and  
development settlements

Continuing to explore capital partnering opportunities which are likely to take some time to reach a conclusion

Ongoing non core village disposals

### Group

\$8m pa  
unallocated corporate  
overheads savings

Gearing to be maintained within range of 20% - 30%

### Guidance

37.4c  
FFO per security

27.6c  
distribution per security  
Distribution payout at lower end of target ratio of 75-85%

### Communities

Greater second half profit skew expected (around 35%/65%) compared to the prior year due to project stage and settlement timings

1. Assuming no material change in market conditions.



## Stockland Corporation Limited

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Stockland Trust Management Limited

ACN 001 900 741; AFSL 241190

As responsible entity for Stockland Trust

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