Numis Industrial Property Conference

Paul Arenson, CEO

STENPROP

Agenda

- THE MLI OPPORTUNITY
- STENPROP OVERVIEW
- IMPACT OF CORONA ON MLI & STENPROP

THE MLI OPPORTUNITY

The MLI Opportunity

Supply	MLI supply is static/diminishing due to high build costs (relative to rents), limited land availability and higher value alternative use like residential.
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 market 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. (£5.14psf) 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

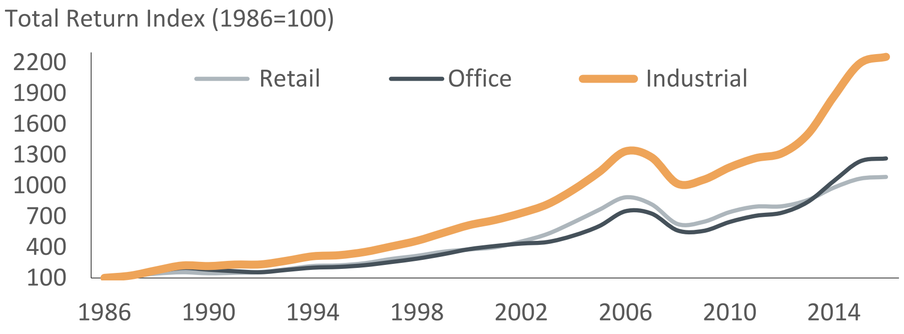
- Industrial sector:
  - Total return index **2275** over 30 years

- Office and retail sectors:
  - Total return indices of **1220** and **1290** respectively over 30 years

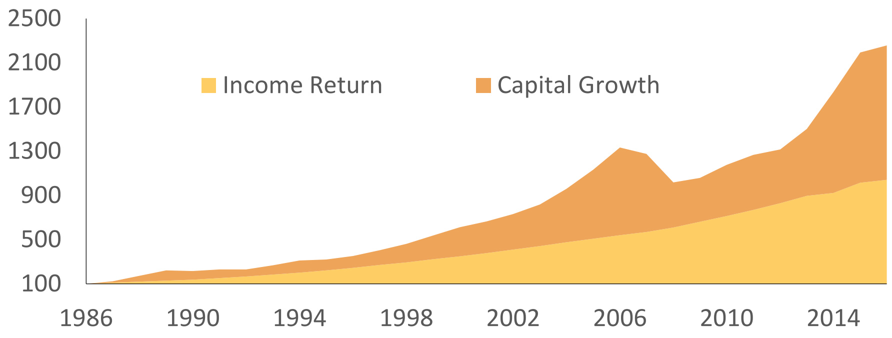
- Industrial property's success is due to consistently higher income returns over the period

The best performing sector in property over a 30 year period

Retail, office and industrial sectors total return evolution



Industrial sector return evolution



Source: IPD, 2017

Sector Fundamentals - Demand

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

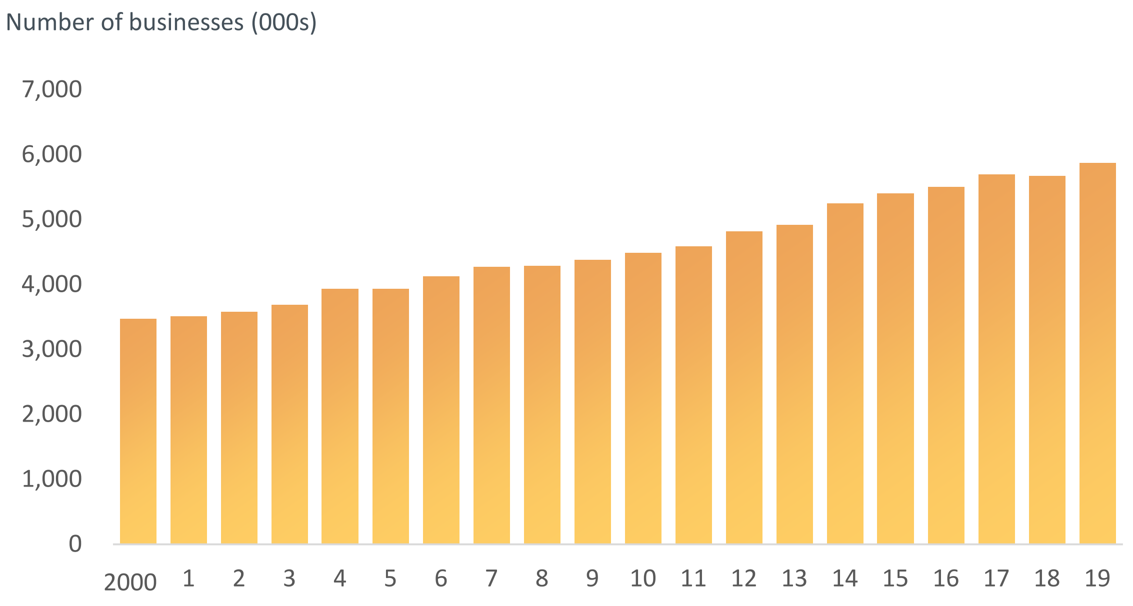
The growth of small business

- 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



Source: Office for National Statistics

Sector Fundamentals - Demand

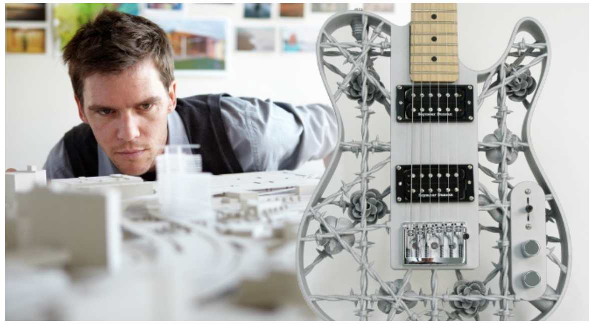
A structural shift in long term demand for industrial is occurring

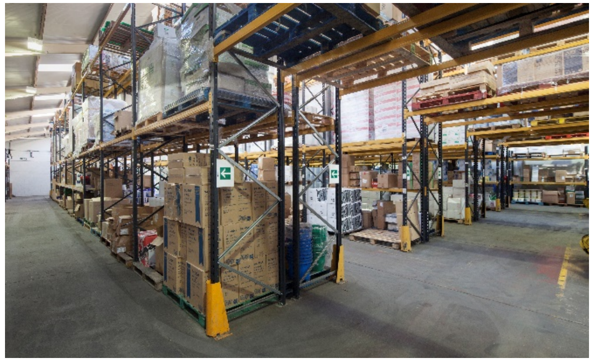
The future

- 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





Sector Fundamentals - Supply

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

Build Costs

- Real building costs up **74%** in the 11 years to 2018. Only in the last 4 years or so have industrial rents started to move up having remained largely unchanged for a decade
- Industrial development accounts for approximately **15%** of private commercial construction in 2018 vs **30%** in 1997. Very little of which is MLI.
- In Stenprop's view it is not economically viable to build small unit multi-let estates until rents increase by around **50%** in most regional UK markets. We currently can purchase existing estates for 50 to 60% of replacement cost.
- 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

STENPROP OVERVIEW

MLI Portfolio as at 30 September 2019

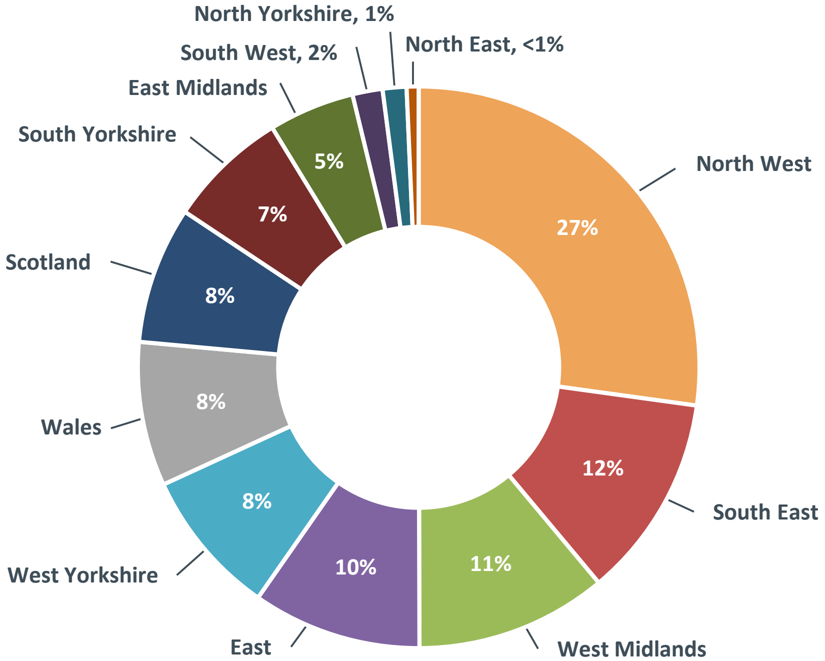
4,327,244 sq ft	1,187 Units
68 Assets	841 Tenants

Note: Excludes long-leasehold units and tenants

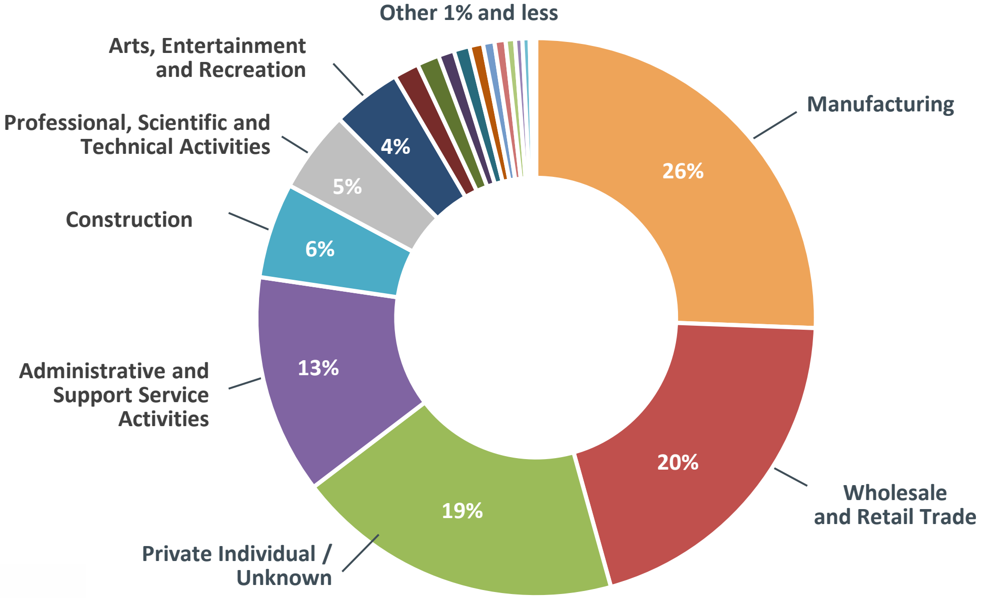
Current Passing Rent	£20,350,259	£5.14 psf
Contractual Rent [1]	£21,255,526	£5.36 psf
Estimated Rental Value (ERV) at 100% occupancy	£24,036,785	£5.55 psf
Current Vacancy [2]	247,961 sq ft	6.1%

Notes:
[1] Contractual rent includes contracted uplifts contained in existing leases over period of lease.
[2] 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 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 31st March 2019 to 30th 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

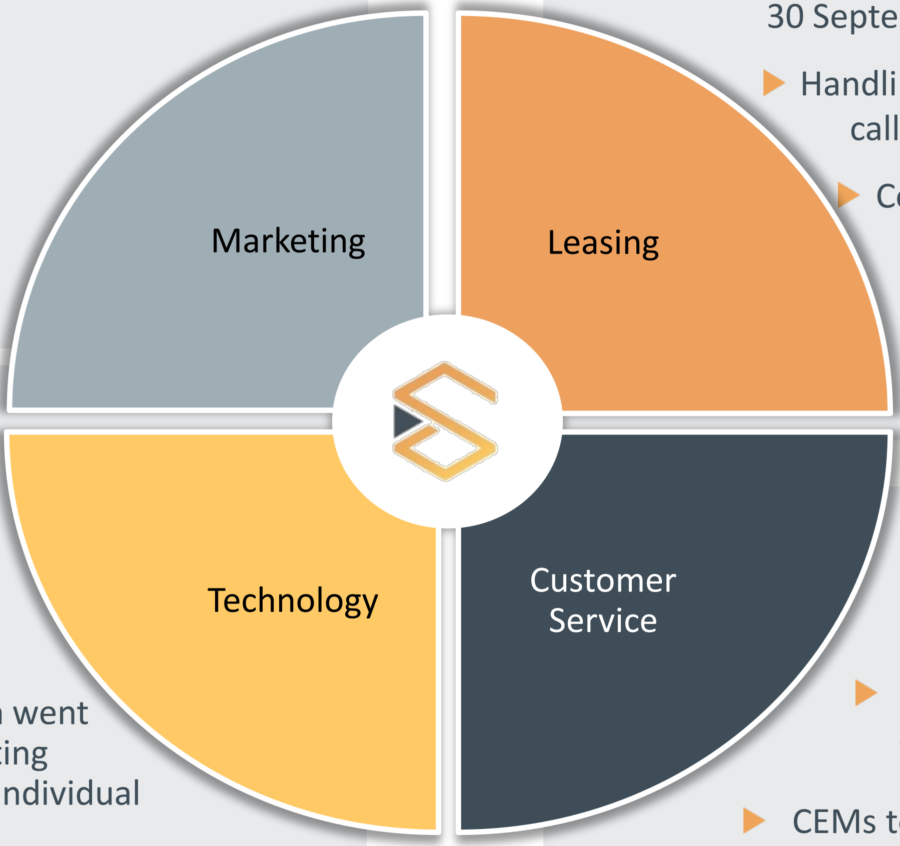
Income Diversity
13%
Of total rent roll secured against the top 10 tenants.

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

Transition to Operating Business - Roll out of physical and digital capabilities

- Industrials.co.uk traffic up 55% y-o-y
- Upgrade to industrials.co.uk launched
- Enhanced lead tracking and marketing channel expenditure analysis
- Present on numerous on-line portals
- Generating over 200 direct marketing leads per month via the Industrials platform



- 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
- Successfully implemented a number of paperless digital lease contracts. Now serving as a basis for contracts during Corona.

- Continue to use a range of 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 (started January 2020)
- Customer relationship management platform went live March 20. Has proved invaluable in collating discussions and bespoke arrangements with individual customers.
- Investing in a new finance and operations management platform for launch in early 2021 as part of the roll out of the serviced industrial concept

- Four Customer Engagement Managers (CEMs) now in place across regions 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.
- CEMs together with in-house asset managers have proved invaluable in liaising with customers during Corona crisis.
- Call centre handles c. 2,500 management calls per annum from existing customers.

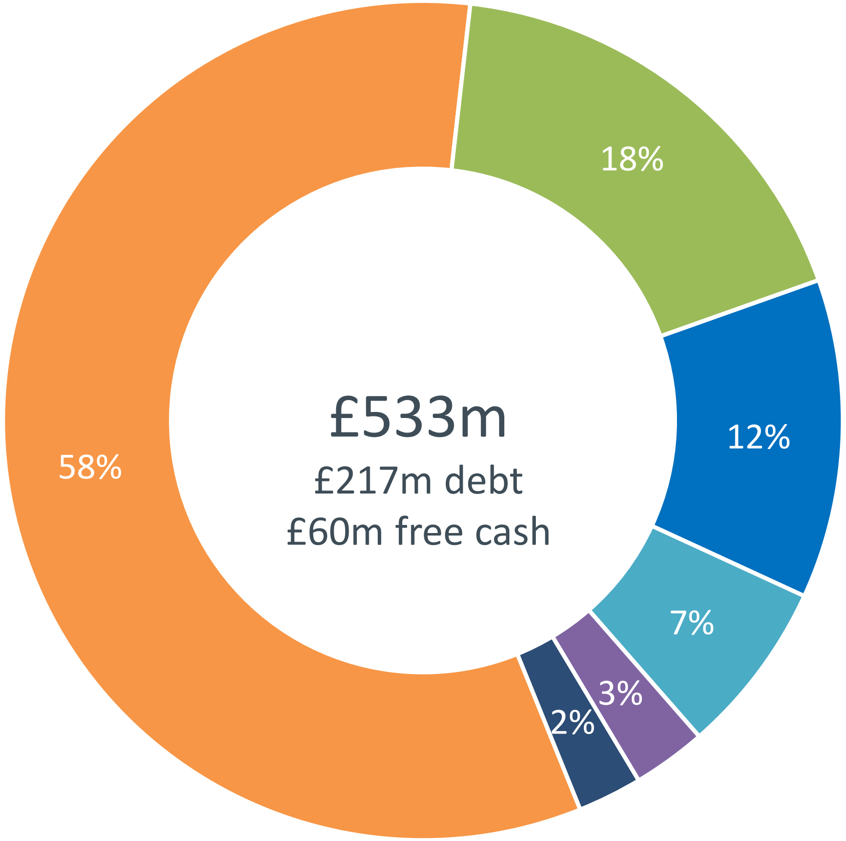
Corporate and Financial Overview

Portfolio valuation **based on September 19 valuations*	Total bank debt *Weighted average debt maturity of 2.7years*	Annual interest on bank debt *average interest rate of 2.63%*	Unrestricted cash available *excluding undrawn revolving credit facility of £30m*	Six months EPRA earnings to 30 September 19
£534m	£217m	£5.7m	£60m	£9.8m 3.41p per share

Current market cap (as at 23 April 2020)	Last reported EPRA NAV at 30 September19	Discount to last reported NAV	Fully covered dividend paid for 6 months to end September 19.	Directors are largest single shareholder group
£280m 98p per share	£413m £1.44 per share	£133m 32%	£9.7m 3.375p per share	8.33%

*adjusted for acquisitions, disposals and changes in foreign exchange rates

Current Portfolio



Multi-let Industrial	UK	58%
Retail	Germany	18%
Office	Guernsey	12%
Care Homes	Germany	7%
Leisure	Switzerland	3%
Single-let Industrial	UK	2%

Loan to value ratio	
Excluding free cash	40.7%
Including free cash	29.5%

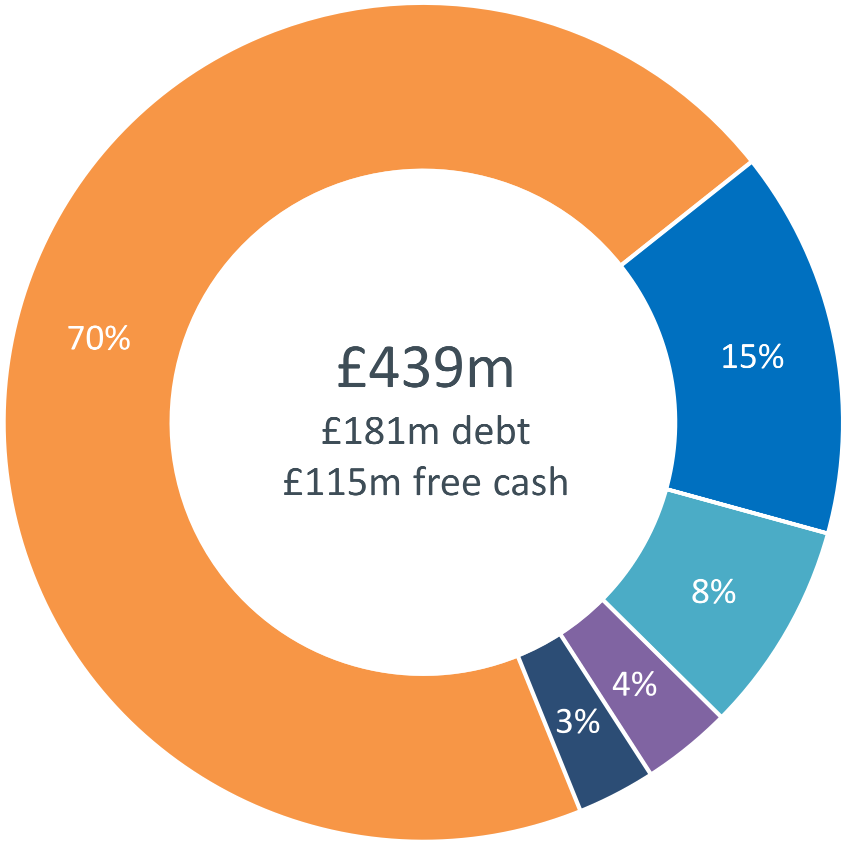
Transition Strategy to 100% UK MLI

- Sell our three daily needs centres in Central Berlin (last valuation **£71.7m**).
- Sell our five German retail warehouses let to Bike max (last valuation **£23.4m**).

- Following these sales:
  - MLI will increase to **70% of total portfolio**
  - Unrestricted cash will increase to **£115m.**
  - Cash would represent 41% of current share price (95p) and 28% of our last reported NAV.

- Post Corona utilise cash to acquire additional MLI up to £170m assuming **40% leverage**.
- MLI component of the portfolio will rise to approximately 78% of portfolio
- MLI acquisition model to show an average cash on cash income return (before capital growth) of at least 7.5% pa on equity over a five-year period taking all running costs, lettings, voids and capex into account.

Portfolio Overview – post German retail centres sale



		Pre	Post
Multi-let Industrial	UK	58%	70%
Retail	Germany	18%	-
Office	Guernsey	12%	15%
Care Homes	Germany	7%	8%
Leisure	Switzerland	3%	4%
Single-let Industrial	UK	2%	3%

Loan to value ratio		
Excluding free cash	40.7%	41.2%
Including free cash	29.5%	15.0%

IMPACT OF CORONA ON MLI & STENPROP

Current Impact of Corona on MLI sector

- Diversity of occupiers means impact is spread and different for each occupier.
- MLI units well suited to social distancing. Average size 3,000sq ft with few employees.

- Customers in e-commerce businesses benefitting or less impacted.
- Certain newer occupiers such as play centres, gyms, rock climbing and trampoline centres forced to close, and are facing difficulties.
- Occupiers who supply customers in the restaurant, coffee shop and other hospitality fields are suffering from a downturn in orders and needing to innovate to find new customers.

- Negative impact on the economy impacts all businesses and particularly the SMEs who are the main occupiers of MLI.
- Access to government support is helping.

Current Impact of Corona on Stenprop

- Collected 73% of rent for March quarterly and April monthly rents.
- Letting enquiries reduced substantially. New enquiries more focused.
- Tenants not vacating as readily. A few who had given notice have asked to extend as moving is not feasible.
- The longer the lock down goes on the more impact it is likely to have on our customers and our rent collection rates.

- Stenprop set up to market space digitally through its own on-line portal and its call centre.
- Leases can be executed on-line.
- 16 new leases over 112,500 sqft concluded since staff working at home.
- Regional customer engagement manager strategy proving itself in this period.

- Anticipate some impact on valuations but too early to be clear.
- Low interest rates for longer likely to be positive forvaluations once normal rent collections resume.
- Supply/demand fundamentals likely to continue post Corona.
- Corona will impact earnings (reduced earnings from holding cash, lower rent collections, increased voids).
- Stenprop enjoys the support of its banks and is well capitalised to meet its ongoing obligations.
- Stenprop has no need to raise capital for the foreseeable future in order to implement its business plan.

Stenprop Response

Customers

- Engaging pro-actively with all customers.
- No "one size fits all" solution.
- Creative solutions required
- Based on detailed information

Funders

- Liaising actively. Funders all supportive.

Shareholders

- Frequent update announcements.
- Taking calls from investors. Investors seem to take comfort from balance sheet strength

Staff

- In regular contact with all staff to ensure they are coping.
- Ensured staff have everything they need to continue to operate as comfortably as possible.
- No redundancies or furloughs

- Strategic decision to retain cash until more clarity on the duration of the crisis and the impact on the economy.
- Intend to be quick out of the blocks at the right time to make opportune purchases.
- German sales programme continues with strong interest from purchasers.
- Strategic decision not to cut back on investment into ERP project and continue to use this time to build out operating platform.
- No need to seek Government funding.

Outlook for the MLI Sector Post Corona

Potential increase in demand for MLI space in the post Corona period as companies seek to build greater resilience to supply shocks.

- More on-shoring and local manufacture/sourcing to diversify supply arrangements.
- Need to hold increased stock/supply levels and less reliance on ‘just in time’ efficiencies.
- Increased support for SMEs to manufacture and supply locally.
- Acceleration of adoption of e-commerce sales/distribution channels likely as more consumers and businesses participate.
- Adoption of communications technology will facilitate businesses being able to operate regionally and more remotely.
- More local travel and vacation likely to promote regional development.
- Government commitment to evolving adequate decentralised capacity to provide for population needs in times of crisis. Expansion of regional transport infrastructure to be an important component.
- Affordability of rent to become an increasingly important factor. MLI rents still only £5.14psf on average.

- Overall we believe the MLI asset class will survive the crisis and emerge as an asset class in more demand.
- The supply/demand imbalance for MLI space will remain. Supply constraints remain (limited land and existing MLI estates still valued at well below replacement cost) whilst the range and number of tenants continues to increase

Outlook for Stenprop

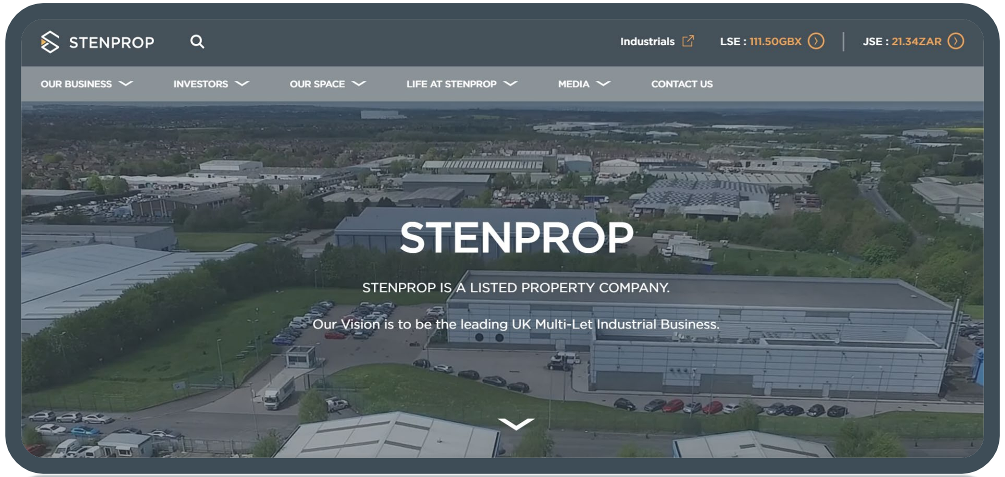
During the crisis:

- Stenprop has the team, balance sheet and management platform to meet the challenges of Corona.
- Stenprop can operate efficiently from home and is able to market space digitally and transact on-line.
- The occupier base is very diversified which should diversify the risk on rent collection.
- The portfolio is regionally diversified which should give some protection from Corona hotspots.
- The historic supply demand imbalance in the sector should serve to protect values and occupation levels to a degree.

Post crisis:

- Stenprop will be in a strong position to acquire additional MLI assets with cash and no need to raise capital.
- Stenprop will have evolved its platform further and be well positioned to scale its business with marginal incremental cost and greater efficiencies.
- Stenprop will be further down the track toward generating new revenue streams from ability to offer additional products and services to its existing customer base.
- The supply/demand imbalance is likely to have increased as more businesses need MLI with supply not economic to build.
- Interest rates likely to stay low for long favouring reliable high yielding assets.

Contact Details



www.stenprop.com
info@stenprop.com

STENPROP
180 GREAT PORTLAND STREET,
LONDON,
W1W 5QZ

T +44 (0) 20 3918 6631

Paul Arenson
Chief Executive Officer

Julian Carey
Executive Property Director

James Beaumont
Chief Financial Officer