ASX/Media Release

20 August 2021

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STOCKLAND ANNOUNCES FY21 FFO OF $788 MILLION AT TOP END OF GUIDANCE

- Statutory profit of $1.1 billion up from $(21) million in FY20
- FFO down 4.6% to $788 million
- FFO per security down 4.6% to 33.1 cents – at the top end of previous guidance (32.5 to 33.1cents)
- Residential underlying FFO excluding transaction profits[1] up 20.5% versus FY20
- Residential net sales volumes up 54.2% versus FY20 to 7,700 lots[2]
- Residential settlement volumes up 19.8% to 6,374 lots
- Record established sales for the Retirement Living business and strong settlement growth
- Commercial Property like for like FFO growth of 3.9% with many metrics better than pre-COVID-19 levels
- Solid improvement in Retail leasing activity, rent spreads and cash collection rates
- Close to 100% of tenant negotiations for the FY20 Commercial Code of Conduct completed
- 97%[3] of FY21 rent collected across the Commercial Property portfolio (96% retail, 99% logistics and 98% workplace), after abatements
- Executing on our $5.5 billion[4] Logistics, Life Sciences & Technology pipeline, with several key leasing, planning and construction milestones reached during the period
- Net Tangible Assets (NTA) up 5.3% to $3.98 per security, reflecting positive revaluation gains and strong cash generation
- Capital management metrics strong with gearing at 21.4% down 400 basis points on FY20, available liquidity maintained at around $2.2 billion, cost of debt down for the 7th consecutive year to 3.7% and operating cashflow consistent year on year at $1.0 billion
- $33 billion[5] development pipeline provides visibility of future development profits and creation of high quality investment product for the Group and its capital partners
- Halcyon transaction (July 2021) accelerates land lease strategy and is immediately accretive to FFO

FY21 Financial Results

Stockland (ASX: SGP) today announced its results for the full year ended 30 June 2021.

Stockland delivered a statutory profit of $1.1 billion, up from $(21) million in FY20. A distribution of 24.6 cents per security was declared, 2.1% above FY20, representing a payout ratio of 75% of FFO. The statutory result included revaluation uplifts totalling $432 million[6], driven primarily by strong gains across the Logistics, Life Sciences & Technology portfolio. Importantly, valuations for Stockland's Retail Town Centre assets stabilised over 2H21, reflecting a rebound in retail conditions and tenant demand.

Managing Director and Chief Executive Officer, Tarun Gupta said: "Our performance in FY21 reflects strong sales growth across our Communities business, the resilience and quality of our Retail Town Centres and the successful ongoing execution of our Logistics, Life Sciences & Technology development pipeline. In July 2021, we announced the acquisition of the Halcyon Group's land lease communities business, which accelerates our land lease strategy and is immediately accretive to FFO per security."

Funds From Operations of $788 million was 4.6% lower than FY20, with FFO per security of 33.1 cents at the top end of the guidance range of 32.5 to 33.1 cents per security provided by the Group.

Communities

Residential

The Residential business reported FFO of $331 million, down 10.9% on FY20, however excluding one off transaction profits[1], this represents an increase of 20.5%.

Group Executive and CEO Communities, Andrew Whitson said: “The strong result from our Residential business demonstrates Stockland’s competitive advantage in masterplanned communities. We expect demand for affordable masterplanned communities product to remain strong through FY22.”

6,374 settlements were achieved in FY21, an increase of 19.8% on FY20, driven by record low interest rates, customer preference shifts towards suburban living, government stimulus and accelerated production.

Net sales volumes were up by 54.2% to 7,700[2] lots. This represents the highest volume of sales generated by the business in the last four years. The strong customer demand experienced over the first nine months of FY21 was maintained throughout the June quarter and into July 2021. Stockland is well positioned to capitalise on its 77,000[7] lot landbank located predominantly on the Eastern Seaboard.

The Residential Operating Profit margin was strong at 18.0% but impacted by the earlier disposal of non-core superlots and higher WA settlement volumes than expected.

With 5,620 contracts on hand at 31 July 2021 the business has considerable visibility of FY22 settlement volumes.

Timing of statutory approvals and construction industry shutdowns are likely to result in the deferral of approximately 600 settlements from FY22 into FY23. Taking into account these delays, the business expects to settle approximately 6,400 lots in the current period, with a target Operating Profit margin of approximately 18.0%.

Retirement Living

Retirement Living FFO of $54 million was down 6.9% versus FY20. The decline reflects reduced development settlement volumes due to pipeline timing.

Group Executive and CEO Communities, Andrew Whitson said: “Our Retirement Living business delivered a record level of established unit sales reflecting a strong housing market and increased customer preference for safety and well-being.”

Settlement volumes for established units across Retirement Living rose by 22.3% to 690 units. Portfolio occupancy finished the period at 93.7%, up from 92.8% at June 2020 as we saw a continued increase in customer preferences towards safety and wellbeing which independent village living can provide.

Stockland will look to reduce its capital exposure to the Retirement Living business over time.

Land Lease

Stockland successfully launched two new land lease communities in 2H21 - Aura (QLD) and Minta (VIC). Sales rates for both projects are tracking ahead of budget. The Group also expanded its land lease development pipeline by approximately 1,000 lots during the period (to approx. 4,000 lots) via a combination of site acquisitions and the achievement of additional yield on existing sites.

In August 2021, Stockland completed the acquisition of Queensland based Halcyon Group’s land lease communities business for $620 million.

The transaction includes the acquisition of 3,800 sites across 13 land lease communities, made up of six established land lease communities, four communities in development and three projects in planning. This acquisition is in line with Stockland's stated strategy to grow its land lease communities and will increase the size of its portfolio to 7,800 sites and a $3 billion development pipeline, accelerating its ambition to be a leading player in the land lease sector.

Managing Director and Chief Executive Officer, Tarun Gupta said: "The Halcyon acquisition reflects Stockland's determination to leverage its scale, market reach and expertise in Residential to create not just additional revenue streams, but higher quality recurring earnings."

Post the addition of the Halcyon platform, Stockland now expects to generate approximately 600 land lease settlements annually within three years – double its previous target. Stockland's deep capability in acquiring greenfield land provides further opportunity to grow this business.

As the land lease portfolio grows there will be an opportunity to introduce third party capital into the business.

Commercial Property

Commercial Property comparable FFO was up 3.9% to $587 million as the business stabilised from the impact of COVID-19. By year end many operational metrics had returned to pre-pandemic levels.

As at 31 July 2021, 97%[3] of contracted rent had been collected across the Commercial Property portfolio (96% Retail, 99% Logistics, 98% Workplace) after taking into account rental abatement.

By July 2021, Stockland had concluded close to 100% of tenant negotiations under the now-completed Federal Commercial Code of Conduct.

Recent lockdowns in NSW, VIC, QLD and WA have had a small impact on the business so far in FY22. In response to these new government restrictions and measures, Stockland restated its commitment to working with tenants and complying with applicable jurisdictions in the provision of rent relief and rent deferments to eligible tenants seeking support.

Retail Town Centres

The Retail Town Centre portfolio delivered FFO of $363 million, up by 5.6% on a comparable basis versus FY20.

Group Executive and CEO Commercial Property, Louise Mason said: "The results of our Retail Town Centre portfolio demonstrates the quality and resilience of our assets in the face of the challenging and variable conditions that have emerged since the outbreak of COVID-19 in FY20."

Portfolio occupancy was maintained at 99.1% (versus 99.0% at June 2020) and leasing activity has returned to pre-pandemic levels. Stockland concluded 683 leasing deals during the year at an average leasing spread of (6.1)%. This represents an improvement versus the 1H21 figure of (7.8)%.

The portfolio delivered comparable MAT growth of 2.3% compared to the 12 months to February 2020 (immediately preceding COVID-19 impacts), Comparable non-discretionary everyday needs MAT growth over the same period was particularly strong at +6.8%.

The repositioning of the Retail Town Centre assets over the last three years has underpinned this strong growth, with 75% of sales now generated by essential everyday goods and services.

The business continued to rebalance the portfolio over the period with $495 million of non-core disposals settled over FY21 and contracts exchanged for the sale of the Bundaberg shopping centre ($140 million) to be settled in September 2021.

For the twelve months to 30 June 2021, the Retail Town Centre portfolio registered a valuation decline of $82 million (-1.4%), with the weighted average cap rate of the portfolio unchanged at 6.1%. Valuations stabilised over the second half, in line with an improvement in leasing conditions, investor demand and retailer sentiment.

Logistics, Life Sciences & Technology
Logistics, Life Sciences & Technology assets now represent 25% of the Group's portfolio, with Stockland having increased its capital allocation to the sector by 60% over the past five years.

FFO of $164 million represents comparable growth of 1.0% versus FY20. Leasing demand remains strong, with over 400,000sqm of leases and heads of agreement executed over the year.

The portfolio delivered a net revaluation uplift of $545 million (+19.1%) over FY20, with the weighted average cap rate tightening since December 2020 by 60bps to 4.8%.

The Logistics, Life Sciences & Technology pipeline has an expected end value of $5.5 billion, of which projects with an end value of $1.7 billion are in active development. The initial stage at M_Park has now been 60% pre-leased, with agreements for lease signed with two international organisations and construction has commenced on phase one of the project.

Workplace
Workplace FFO of $60 million reflects comparable growth of 1.0% versus FY20. New leases and renewals generated rental uplifts of 5.8% on average.

The Workplace portfolio registered a net valuation decline of $31 million (-3.0%) over the period. The weighted average cap rate of the portfolio firmed by 20bps to 5.6%.

Workplace assets represent 7% of the Group's existing portfolio. However, the Workplace development pipeline has an expected end value of $3.9 billion. This comprises Piccadilly in the Sydney CBD and Affinity Place in North Sydney.

Strong capital position and cashflow
The Group generated operating cashflow of $1.0 billion, fully funding distributions while also facilitating further investment into Stockland's Commercial Property development pipeline along with active restocking of the Residential landbank in order to drive future earnings.

Gearing improved significantly from 25.4% in FY20 to 21.4% in FY21, at the bottom of Stockland's target range of 20-30% and reflecting an ongoing disciplined approach to capital allocation and cashflow management. Stockland's balance sheet strength provides the Group with ample flexibility to pursues strategic opportunities such as the $620 million Halcyon land lease transaction completed in August 2021.

Gearing is expected to rise to around the middle of Stockland's target range over FY22, reflecting the impact of the Halcyon transaction and ongoing delivery of the Group's $5.5 billion[4] Logistics, Life Sciences & Technology development pipeline.

Available liquidity increased to $2.2 billion, approximately $1 billion above pre-pandemic levels. The combination of this strong liquidity position, access to global debt capital markets and ongoing discipline around cashflows, has positioned Stockland well to deliver on its strategic growth priorities, while continuing to navigate the ongoing short-term disruptions resulting from the pandemic. This has been supported by investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively, despite a period of economic uncertainty and change during 2020.

Response to COVID-19 and business resilience
Since the initial impact of COVID-19 in March 2020, Stockland has actively managed the impact across all aspects of its business. Taking guidance from Australian Federal and State governments, the well-being and safety of employees and stakeholders has always remained a high priority together while minimising the financial impacts on our operations and assets. Stockland has continued to provide essential retail services to its communities, as well as support to people across Australia to purchase property through our online digital platforms. The resilience of our people in utilising our Hub and Home working arrangements supported the rapid response to, and management of COVID-19 issues as the impact of sporadic lockdowns and restrictions continued in 2021.

Sustainability leadership
As a global sustainability leader, Stockland's commitment to evolve and enhance its environmental, social and government practices saw it launch its enhanced 2030 Sustainability strategy – Living for the Future and bring forward its 2030 Net Zero Carbon target by two years to

2028, as well as now covering the entire organisation. In FY21, Stockland also continued to take practical steps to identify and address modern slavery within its supply chain and day to day operations, supported by the release of its second Modern Slavery Statement.

FY22 outlook and guidance

Managing Director and Chief Executive Officer, Tarun Gupta said: "While varying levels of uncertainty with COVID-19 remain, Stockland is in strong position to respond and adapt. Continuing residential sales momentum, a significant development pipeline and a strong balance sheet, position us well for future growth. As a leading asset creator with end-to-end capability in Communities, Logistics, Life Sciences & Technology, Workplace and Retail Town Centres, we will continue to optimise the allocation of capital across the portfolio and accelerate conversion of our $33 billion[4] pipeline. Accelerating third party capital partnerships is a key focus as we expand our asset and funds under management and grow recurring earnings. With the numerous opportunities ahead, I will be working closely with the leadership group to complete a strategic review of the Group, with a market update on our plans scheduled for late in the calendar year."

FY22 estimated FFO per security is forecast in the range of 34.6 to 35.6 cents.

Distribution per security forecast to be within our target payout ratio of 75% to 85% of FFO.

Current market conditions remain challenging with ongoing lockdowns and community transmission of COVID-19. All forward looking statements including FY22 earnings guidance are provided on the basis that the vaccination roll out continues and COVID-19 restrictions ease towards the end of CY21 and are underpinned by the following business assumptions:

- Residential settlements around 6,400 lots
- Residential operating margin ~18%
- Land lease communities delivering 300 settlements in FY22
- Recent average rent collection trends returning towards the end of CY21

1. FY21 FFO includes $12m balance of transaction profits from the sale of The Grove (VIC), FY20 included transaction profits of $107m from The Grove (VIC), Merrylands Court (NSW) and the capital partnering transaction at Aura (QLD).
2. Excludes 79 sales acquired from the acquisition of Providence (QLD).
3. Net of abatements, at 31 July 2021.
4. Forecast value upon completion.
5. Total development pipeline includes projects in early planning stages, projects with planning approval and projects under construction across both Commercial Property and Communities.
6. Excludes WIP, sundry properties and stapling adjustment for owner-occupied space.
7. Includes ~2,000 lots under due diligence.

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This announcement is authorised for release to the market by Ms Katherine Grace, Stockland's Company Secretary.

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