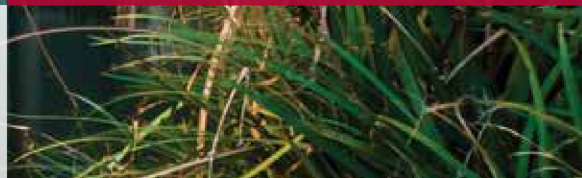

ACCELERATE
PROPERTY FUND

for the period ended
30 September

# 2019

# INTERIM Results



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# At a GLANCE

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# ACCELERATE *at a glance* AS AT 30 SEPTEMBER 2019

| | | |
|---|---|---|
| Property portfolio | Asset value: R12,2 billion | |
| Strategic nodes | Fourways Precinct | 174 944 m² |
| | Charles Crescent – Kramerville | 47 692 m² |
| | Foreshore – Cape Town | 52 152 m² |
| GLA | 547 508 m² | |
| Vacancy* | 8,54% | |
| WALE (gross income) | 5,2 years | |
| Portfolio split (revenue) | Retail | 72,6% |
| | Office | 21,4% |
| | Industrial | 6,0% |

| | | |
|---|---|---|
| Tenant profile (% of revenue) | A - Large National | 65,1% |
| | B - National Listed/Franchises | 13,0% |
| | C - Other | 21,9% |
| Tenant retention | 96,7% | |
| NAV per share (ex div) | R7,58 | |
| WA cost of funding | 8,4% (including offshore) | |
| Debt | WA term | 2,5 years |
| | Total debt | R5,1 billion |
| | LTV** | 38,3% |
| | ICR | 2,5x |
| Hedging (incl. offshore) | 87,4% of debt hedged | |
| | WA term | 2,1 years |

* *Excludes properties earmarked for redevelopment within the next 12 months*
** *Takes into account receivables from Fourways developer to be offset at equalisation*

# KEY Priorities

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# KEY *Priorities*

## FOURWAYS

- Mall open and trading
- Equalisation paid for and transferred
- Optimise mall operations and management
- Further opportunities in Fourways
- Extract maximum synergies out of the node

## PORTFOLIO OPTIMISATION

- Reduce leverage
- Reinvest in core portfolio
- Sale of non-core properties
- Manage swap and debt maturity profile
- Development of bulk

## EXTRACT MAXIMUM VALUE OUT OF CORE PORTFOLIO

- Buzz residential development (phase 1 under way)
- Cedar Square bulk opportunities
- Foreshore development
- Tenant retention and reduction of vacancies
- Strategic capex spend

## GREEN INITIATIVES

- Major solar investment
- Water savings
- Reducing carbon footprint

## SOCIAL INVESTMENT

- Bursaries, community outreach initiatives and school funding


# FINANCIAL Results

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# CONSOLIDATED STATEMENT OF *Financial Position*

| | 30 Sept 2019 (R'000) | 31 Mar 2019 (R'000) |
|---|---|---|
| ASSETS | | |
| **Non-current assets** | 12 252 600 | 12 205 878 |
| Investment property | 12 252 017 | 12 203 592 |
| Derivatives | - | 1 598 |
| Equipment | 583 | 688 |
| **Current assets** | 735 887 | 679 224 |
| Trade and other receivables | 707 916 | 595 093 |
| Cash and cash equivalents | 27 971 | 84 131 |
| Investment property held for sale | 453 736 | 789 707 |
| Fair value of investment property assets | 453 736 | 789 707 |
| **Total assets** | 13 442 223 | 13 674 809 |
| EQUITY AND LIABILITIES | | |
| Shareholders' interest | 7 782 772 | 7 965 297 |
| Share capital | 5 127 105 | 5 115 671 |
| Other reserves | 86 221 | 77 887 |
| Minority interest | 19 049 | 19 032 |
| Retained earnings | 2 550 397 | 2 752 707 |
| **Total equity** | 7 782 772 | 7 965 297 |
| Non-current liabilities | 4 216 723 | 4 278 103 |
| Long-term borrowings | 3 992 932 | 4 259 323 |
| Lease liability | 162 210 | - |
| Derivatives | 61 581 | 18 780 |
| Current liabilities | 1 442 728 | 1 431 409 |
| Trade and other payables | 330 938 | 297 231 |
| Lease liability | 5 727 | - |
| Derivatives | 9 871 | 23 128 |
| Short-term portion of long-term borrowings | 1 096 192 | 1 111 050 |
| **Total equity and liabilities** | 13 442 223 | 13 674 809 |

## HIGH-LEVEL OVERVIEW OF POSITION

- Investment property movement due to:
  - Positive fair value adjustment on offshore properties (external valuations)
  - Capex spend on local portfolio
  - Sale of non-core properties to reduce leverage and create funding headroom for equalisation
- Long-term borrowings:
  - Paydown of debt due to property sales
  - Exchange rate movement on Euro debt
  - Funding of capex

# CONSOLIDATED STATEMENT OF *Comprehensive Income*

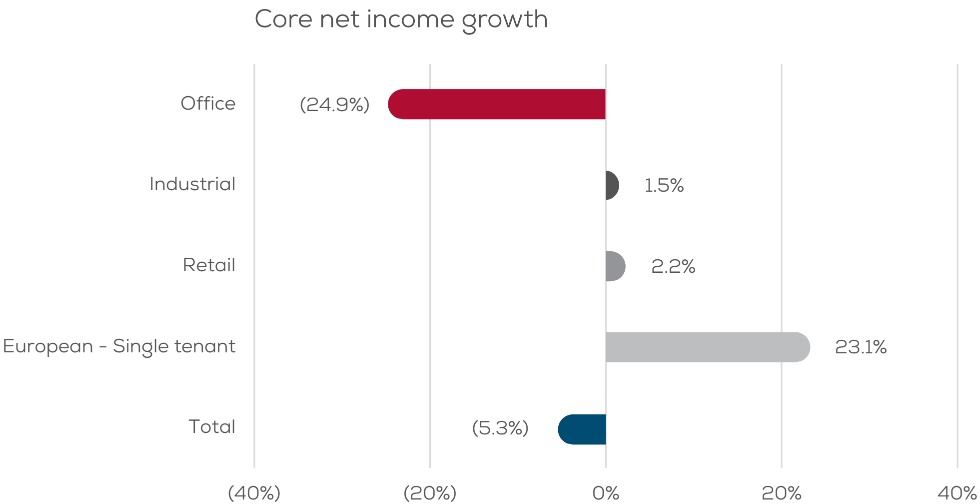
| | 30 Sept 2019 (R'000) | 30 Sept 2018 (R'000) |
|---|---|---|
| Revenue, excl. straight-line rental revenue adjustment | 564 423 | 602 972 |
| Straight-line rental revenue adjustment | (9 390) | 33 065 |
| Revenue | 555 033 | 636 037 |
| Property expenses | (189 656) | (188 716) |
| Net property income | 365 377 | 447 321 |
| Other operating expenses | (26 006) | (24 304) |
| Operating profit | 339 371 | 423 017 |
| Fair value adjustments | (86 942) | 30 140 |
| Other income | 815 | 1 048 |
| Unrealised (losses)/gains | (66 483) | 20 915 |
| Expected credit loss provision | (21 919) | - |
| Finance income | 21 884 | 31 777 |
| Profit before long-term debt interest and taxation | 186 726 | 506 897 |
| Long-term debt interest | (164 642) | (178 028) |
| Profit before taxation | 22 084 | 328 869 |
| Taxation | - | - |
| Profit after taxation | 22 084 | 328 869 |
| Attributable to equity holders of the holding company | 20 733 | 326 899 |
| Attributable to minority interest | 1 351 | 1 970 |
| DISTRIBUTABLE EARNINGS | | |
| Profit after taxation attributable to equity holders | 20 733 | 326 899 |
| *Add/(less):* Straight-line rental revenue adjustment | 9 390 | (33 065) |
| *Add/(less):* Fair value adjustments | 87 619 | (28 829) |
| *Add/(Less):* Unrealised losses/gains | 66 483 | (20 915) |
| *Add:* Lease amortisation | 7 050 | 10 262 |
| Distributable earnings | 191 275 | 254 352 |

## HIGH-LEVEL OVERVIEW OF PERFORMANCE

- Revenue
  - Please refer to like-for-like income slide
- Cost to income
  - Cost to income ratio of 22,2%
  - Mainly increased due to once-off expenses on Fourways finalisation and launch
- Fair value adjustments
  - Downward mark-to-market movement on swaps of R45 million and a downward property revaluation of R41 million

# CORE *Growth*

# CORE NET PROPERTY INCOME *Growth*




## Core portfolio

- Properties in our strategic nodes
- Remainder of Western Cape portfolio
- KPMG portfolio
- Citibank
- 90,8% of current portfolio


# LETTING *and* ARREARS

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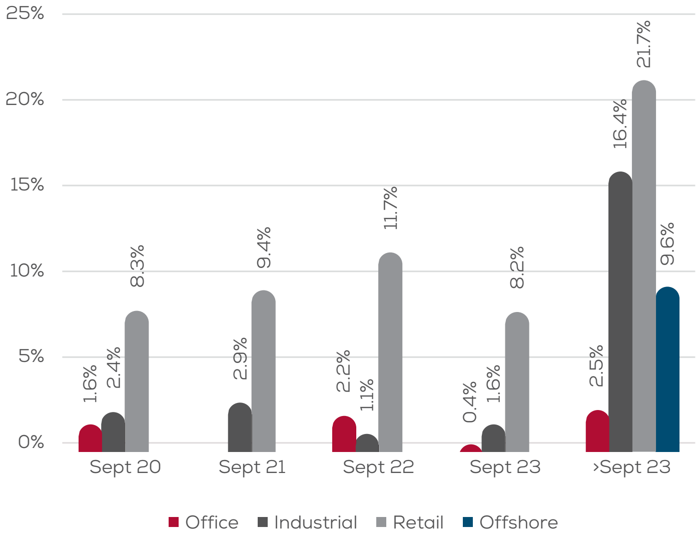
# Lease expiry PROFILE, ESCALATIONS AND DEBTORS AGEING

Lease expiry profile by gross rental




| Contractual escalations Sectoral type | 30 Sept 2019 (%) | 31 Mar 2019 (%) |
|---|---|---|
| Industrial | 7,4 | 7,3 |
| Office | 7,1 | 7,6 |
| Retail | 7,3 | 7,3 |
| SA portfolio | 7,3 | 7,4 |
| European retail | 0,0 | 0,0 |
| Total portfolio | 6,5 | 6,6 |

| Sector | Expired (m²) | Renewals (m²) | Expired rental (R/m²) | New rental (R/m²) | Rental reversion (%) |
|---|---|---|---|---|---|
| Office | 6 135 | 5 825 | 134,8 | 114,2 | (15,3) |
| Retail | 23 335 | 22 497 | 195,7 | 180,7 | (7,7) |
| Industrial | 5 917 | 5 917 | 48,0 | 51,3 | 6,9 |
| Total | 35 387 | 34 239 | 160,4 | 147,0 | (8,4) |

| Tenant arrears (R'000) | 120+ days* | 90 days | 60 days | 30 days | Total** |
|---|---|---|---|---|---|
| 30 September 2019 | 30 997 | 9 822 | 12 223 | 11 726 | 64 768 |

Tenant retention

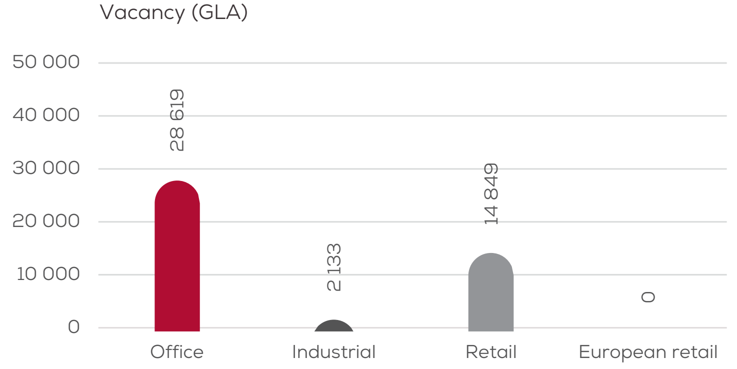
96,7% by GLA

* *R22 million of the 120+ days' arrears relates to one tenant. R 6 million of this arrear has been paid post period end and the fund has a pledge over assets with values in excess of the arrears.*

** *Arrears at 30 September 2019 are 2,8% of annual revenue*

# VACANCY *profile*

| Vacancies as at 30 Sept 2019 (m²)<br>Sectoral type | 31 Sept 2019 | | 31 Mar 2019 |
|---|---|---|---|
| Industrial | 2,5% | ↔ | 2,5% |
| Office* | 24,58% | ↑ | 21,17% |
| Retail | 5,60% | ↓ | 6,25% |
| European retail | 0,0% | ↔ | 0,0% |
| Total portfolio | 8,54% | ↓ | 9,00% |

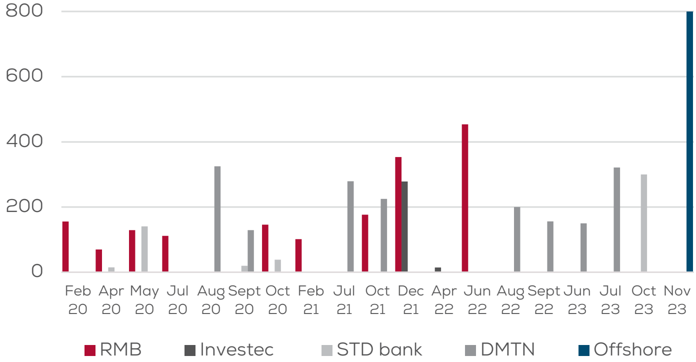



* *Vacancies also exclude properties held for redevelopment in the next 12 months*

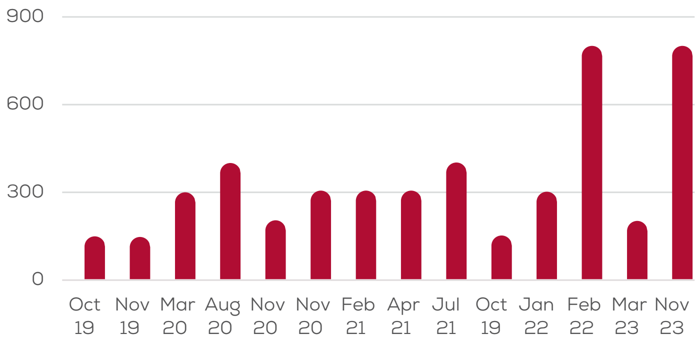

# CAPITAL Structure

# *Long-term* DEBT

Long-term debt funding maturity profile (Rm)




Interest rate swap maturity buckets – SA only (Rm)




| Long-term debt allocation | 30 Sept 2019 (Rm) | 30 Sept 2019 (%) | 31 Mar 2019 (Rm) | 31 Mar 2019 (%) |
|---|---|---|---|---|
| Debt capital markets | 1 785 | 35,1 | 1 785 | 33,2 |
| Bank funding | 3 305 | 64,9 | 3 590 | 66,8 |
| Total | 5 090 | 100,0 | 5 375 | 100,0 |
| Weighted average debt term (years) | 2,5 | | 2,5 | |
| Short-term portion of debt | 1 096 | 21,5 | 1 111 | 20,7 |
| Debt hedged | | 82,8 | | 82,8 |
| Weighted average swap term (years) | 2,1 | | 2,5 | |
| Blended interest rate* | | 8,4 | | 8,4 |
| Interest cover ratio (x) | 2,4 | | 2,3 | |
| Loan to value** | | 38,3 | | 39,0 |
| Senior secured rating | | AA- (za) | | AA- (za) |
| Senior unsecured rating | | BBB+ (za) | | BBB+ (za) |

* *Includes the effect of interest rate swaps*
** *Takes into account receivables from the Fourways developer*

# FOURWAYS Super-Mall

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# Fourways Mall OPENING PRESS COVERAGE

BusinessDay

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ON THE SPOT

## ALISTAIR ANDERSON: Huge Fourways Mall is all set to excel

BL PREMIUM

Accelerate Property Fund and its development partner Atterbury have spent five years expanding Fourways Mall into the largest shopping centre in Africa. Each entity owns 50% of the R9bn asset, which they say will be the centre of the burgeoning Fourways node. Accelerate's COO, Andrew Costa, says the mall is set to excel as SA's economy recovers.

*Companies in this Story*

Johannesburg.APF
Accelerate Property Fund Ltd
178 ▼11 | -5.82%



BusinessDay

NATIONAL POLITICS COMPANIES ECONOMY BUSINESS WORLD SPORT LIFE MULTIMEDIA & TV E-EDITION

COMPANIES / PROPERTY

## Fourways Mall re-opens after five-year revamp

The massive shopping centre is worth R9bn and is looking to compete with Sandton City and Mall of Africa

BL PREMIUM

Fourways Mall's R9bn overhaul is finally complete, with the shopping centre re-opening on Thursday as Africa's largest — the equivalent of more than 20 rugby fields.

Its owners, listed property fund Accelerate Property Fund and developer Atterbury, have spent five years redeveloping the mall, which is the centre of Fourways, with a view to it delivering market-beating returns in the long term.

*Companies in this Story*

Johannesburg.APF
Accelerate Property Fund Ltd
178 ▼11 | -5.82%



Links to articles:

http://bit.ly/34MeljY

http://bit.ly/2NzSprQ

# *Inside* FOURWAYS MALL

# FINAL UPDATE ON EQUALISATION: *Fourways*

- In terms of the Fourways equalisation Accelerate has purchased 12,1% of additional income from Azrapart
- The acquisition price of R907,8 million was calculated at a yield of 8,0% (currently valued in the market between 6,25% and 6,50%)
- The acquisition price is determined by the forward net income of the mall that is subject to the following adjustments
  - Income
  - Recoveries
  - Expenses
- Accelerate believes that the variability in the acquisition price ranges between -R80 million and +R230 million
- The adjustment period runs from 1 September 2019 to 31 August 2020
- These adjustments will be settled using loan accounts currently due to Accelerate from the developer
- A five-year head lease is in place over vacant space at equalisation (12,7% of GLA)
- The acquisition was funded as follows:
  - Approved debt funding of R700 million
  - Purchase price over R700 million will be set off against the vendor loan receivable
  - Thereafter, anything remaining will stand as a loan due by Accelerate to the developer
- Post-settlement of bridge funding facilities, Accelerate's overall LTV will be approximately 41,5% and SPV1 (the SPV housing the Fourways Mall asset) will be approximately 39%

| *Initial agreements signed* | *Revised agreements signed* | *Fourways Mall breaks ground* | *Completion of Fourways Mall* | *Finalisation of equalisation* |
|---|---|---|---|---|
| *Dec 2013* | *June 2015* | *Aug 2015* | *Aug 2019* | *Oct 2019* |

# The future of Fourways Mall

### PHASE 1 (COMPLETED)

- The Fourways Mall redevelopment represents the completion of Accelerate's first phase in unlocking future value from the site through developable bulk (1 000 000 $m^2$ – supported by council)
- Part of the fund's future strategy is driven by continued growth of the Fourways node and its growing significance in Gauteng through urban sprawl
- It believes that the Mall and its surrounds will become an outlying central business district of the future
- It is thus uniquely positioned to extract maximum value for its shareholders

### PHASE 2 (PRESENT – 2 YEARS)

- Celebration site development (developed and exclusively owned by Accelerate's development partner)
  - French home improvement mega-retailer, Leroy Merlin
  - Flagship store is currently being developed: ±20 000 $m^2$
  - Completion anticipated in Q1 2021

### PHASE 3 (3 YEARS – 10 YEARS)

- Office, hospitality and other retail offerings
- Gautrain
  - The Gautrain Management Agency is planning to extend rail route by 150 km including lines to Fourways and from Fourways to Lanseria

# FOURWAYS *Bulk*

While developing the Fourways Mall site leads to more value creation for the portfolio, Accelerate will continue to add value to the Fourways node through other avenues of growth

This strategy is backed by diversifying its investment within the node that has a growing population with a stable, already established middle class

## CEDAR SQUARE

- Repositioned lifestyle and family centre: ongoing changes in tenancy at the centre with significant TI spent to attract new and exciting tenants
- Drive-through on unutilised bulk
- Fund still exploring possibility of additional motor dealership on BMW bulk
- Possible hospitality offering on bulk behind the centre

## THE BUZZ SHOPPING CENTRE

- Bulk behind The Buzz and Waterford shopping centres
  - Joint venture with a leading property developer
  - ±500 residential units to be built on bulk
  - Phased development over five years
  - Each phase will ensure highest and best residential use for the bulk utilised
  - Phase 1: 2020/2021 – 126 units
- Complementary to The Buzz and Waterford shopping centres – value unlock


# Portfolio UPDATE

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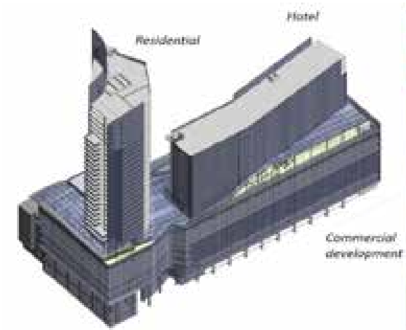
# Foreshore MIXED-USE DEVELOPMENT

The best means of extracting value, given gearing levels, is to sell properties while having an option to repurchase the properties post-completion. In summary:

- Four properties (in red on the map) will be sold to a proven property developer (the recently completed Netcare Christiaan Barnard hospital in the Cape Town Foreshore) for R265 million
- At completion of phase 1 of the commercial development, Accelerate will have the option to repurchase the completed development for:
  - R265 million of the original property value plus
  - An agreed cost of the development plus
  - A pre-agreed project management fee for the Foreshore developer
- Post-repurchase and subject to prevailing market conditions, phase 2 of the development (residential and hospitality) will be undertaken by the developer
- The developer is incentivised to undertake phase 1 solely for a management fee given that two-thirds of net profits of phase 2 (residential) will be for the benefit of the Foreshore developer


| No | Properties |
|---|---|
| 1 | Thomas Pattullo |
| 2 | Oceana House |
| 3 | Murray & Roberts |
| 4 | Parking lot |
| 5 | Mustek |
| 6 | 99 & 101 Hertzog |




# Portfolio OPTIMISATION

| Properties sold/acquired | Status | Sales/(purchase) price | LTV |
|---|---|---|---|
| Fourways Mall equalisation | | (R907 800 000) | 42,1% |
| Kyalami Downs (http://bit.ly/2Qc4HbM) | | R99 500 000 | 41,7% |
| Edcon warehouse (http://bit.ly/2XJ2Qgi) | | R94 000 000 | 41,2% |
| Additional industrial deal | | R115 000 000 | 40,9% |
| Foreshore properties | | R265 000 000 | 39,7% |
| Transaction 1 | | ±R25 000 000 | 39,6% |
| Portfolio 1 | | ±R900 000 000 | 36,3% |
| Portfolio 2 | | ±R460 000 000 | 33,8% |

Progress on execution

- Completed
- Well advanced
- Advanced
- Initiation


# EUROPEAN *Retail*

# OBI *Performance*

| Buildings | GLA (m²) | Fair value at 30 Sept 2019 – external (€'000) | Fair value at 31 Mar 2019 – external (€'000) | Tenant turnover growth year on year 31 Dec 2018 (%) | Portfolio by rental income (%) | Remaining lease term (years) |
|---|---|---|---|---|---|---|
| AUSTRIA | | | | | | |
| Wien 3 | 16 356 | 43 691 000 | 42 940 000 | 10,2 | 40 | 7,08 |
| Mauthausen | 5 146 | 6 799 000 | 7 237 000 | 6,4 | 9 | 11,08 |
| Hallein | 3 739 | 2 984 000 | 3 053 000 | 3,9 | 4 | 11,08 |
| Bruck/Mur | 6 823 | 6 481 000 | 6 500 000 | 4,4 | 9 | 11,08 |
| Mürzzuschlag | 5 822 | 7 292 000 | 7 519 000 | 3,3 | 8 | 11,08 |
| Rosental | 3 316 | 3 690 000 | 3 598 000 | 5,4 | 4 | 11,08 |
| SLOVAKIA | | | | | | |
| Kosice | 8 054 | 6 540 000 | 6 589 600 | 14,4 | 7 | 11,08 |
| Martin | 7 950 | 6 936 400 | 6 218 000 | 17,1 | 7 | 11,08 |
| Nitra | 8 687 | 8 270 000 | 7 872 200 | 13,3 | 11 | 11,08 |
| | 65 893 | 92 683 400 | 91 526 800 | 8,7 | | 9,40 |

## COMMENTARY:

- 9,4% of total APF revenue
- Portfolio independently valued annually by CBRE at €92,7 million (acquired for €82,1 million)
- Wien 3 trading well – expected positive reversion of 2% on Wien lease in 2021

ANNEXURE 1

# PROPERTY PORTFOLIO Summary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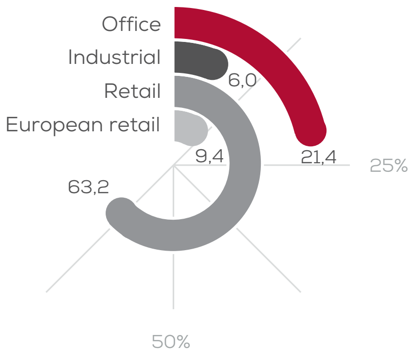
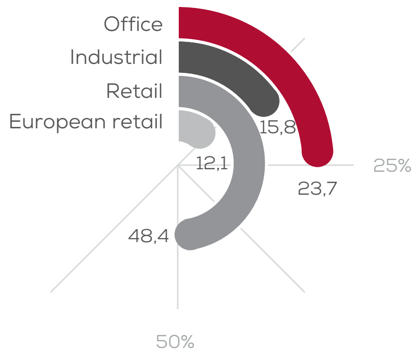
# SECTOR AND GEOGRAPHIC *Summary*

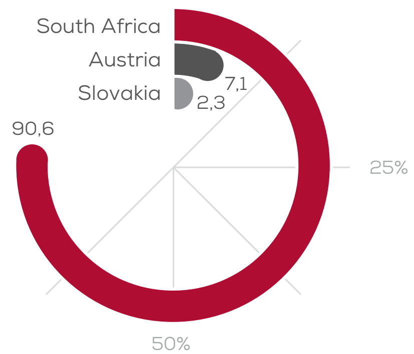
Sector profile by revenue (%)



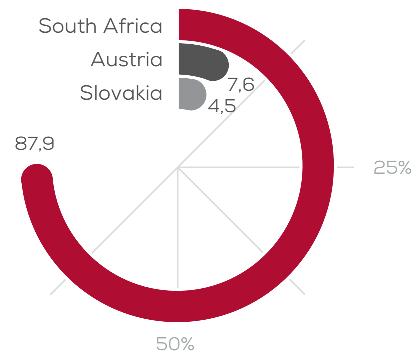

Sector profile by GLA (%)




Geographic profile by revenue (%)

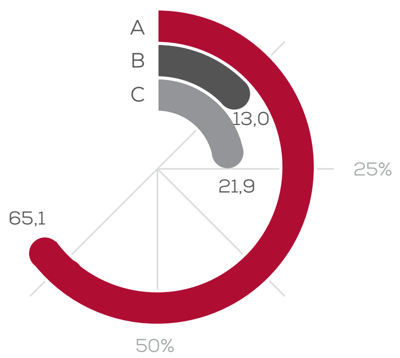



Geographic profile by GLA (%)

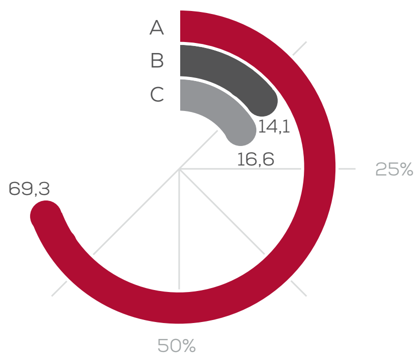


# TENANT *Profile*

Tenant profile by revenue (%)




Tenant profile by GLA (%)

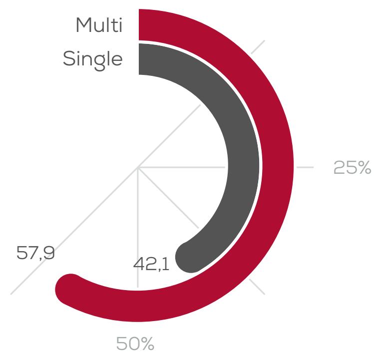



A: Large national tenants, large listed tenants and major franchises, including Absa Bank, Capitec Bank, Dis-Chem, Edcon, FNB, Foschini, Jet Stores, KPMG, Massmart, Medscheme, Nedbank, OBI, OK Furnishers, Pepkor, Pick n Pay, Shoprite, Standard Bank and Woolworths

B: National tenants, listed tenants, franchises and medium to large professional firms, including Fishmonger, KFC, Mugg & Bean, Nando's, Spur, Steers and Wimpy

C: Other

Single vs multi-tenanted by GLA (%)



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