

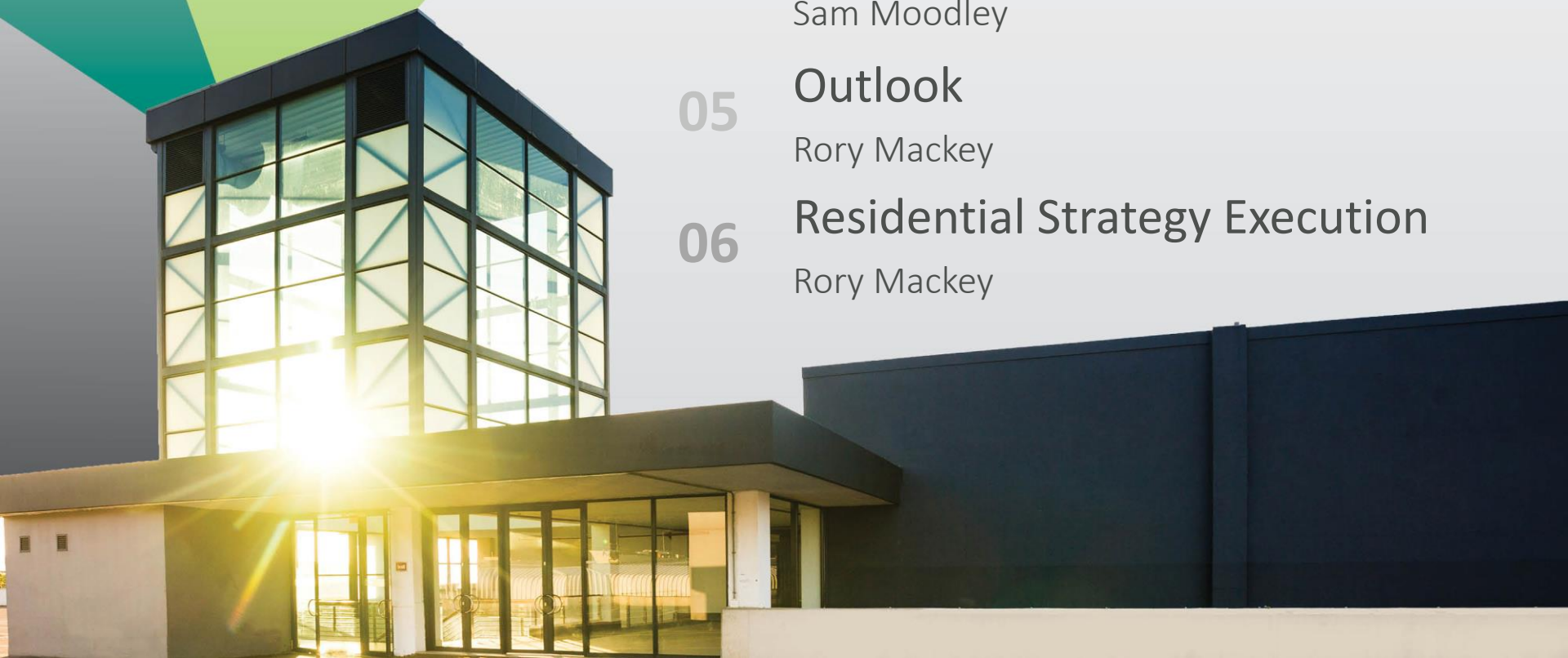
# SA Corporate 2022 Year End Results Presentation

17 March 2023



# AGENDA

- 01 Introduction & Overview  
Rory Mackey
- 02 Strategy Update  
Rory Mackey
- 03 Portfolio Performance  
Rory Mackey
- 04 Financial Performance  
Sam Moodley
- 05 Outlook  
Rory Mackey
- 06 Residential Strategy Execution  
Rory Mackey



# INTRODUCTION & OVERVIEW RORY MACKKEY







# OVERVIEW

## DISTRIBUTION

DISTRIBUTABLE  
INCOME

↑ 5.5%

R674.8 million or 26.83 cps

(2021: R639.5 million or 25.43 cps)

ANNUAL  
DISTRIBUTION

↑ 5.5%

24.15 cps<sup>#</sup> at 90% payout ratio

(2021: 22.89 cps at 90% payout ratio)

<sup>#</sup> Includes distribution of 12.97 cps paid in respect of H1 2022

## PORTFOLIO PERFORMANCE

TOTAL NET  
PROPERTY INCOME  
("NPI")

R1.2 billion

(2021: R1.1 billion)

TOTAL LIKE-FOR-LIKE NPI INCREASED BY

6.7% to R1.1 billion

(2021: R1.0 billion)

TRADITIONAL  
PORTFOLIO  
VACANCIES

2.3%

of gross lettable area ("GLA")  
(2021: 3.3%)

AFHCO RESIDENTIAL  
PORTFOLIO  
VACANCIES

2.9%

of total units  
(2021: 8.5%)



# OVERVIEW

## PROPERTY ACTIVITY

DISPOSAL PIPELINE SINCE 1 JANUARY  
2022

**R1.4 billion**

(Transferred to 31 December 2022: R556.9 million; Contracted not yet transferred: R865.8 million, of which R171.8 million has transferred after 31 December 2022)

ASSETS UNDER MANAGEMENT

**R16.6 billion**

(2021: R16.2 billion)

## CAPITAL STRUCTURE

LOAN TO VALUE  
("LTV") RATIO

**38.1%\***  
(2021: 37.4%\*)

*\*Net debt LTV excluding derivatives, which if included would be 37.8% (2021: 38.5%)*

WEIGHTED AVERAGE COST OF FUNDING

**8.8%**

(2021: 5.5%)  
exclusive of swaps

**9.0%**

(2021: 8.1%)  
inclusive of swaps

EFFECTIVE FIXED  
DEBT

**71.5%**  
increased to 75.6%  
post year-end

WEIGHTED AVERAGE  
SWAP TENOR

**2.0 years**

# DISPOSALS UPDATE

## Transferred In 2022/2023

| Description                              | Contracted Sales Price | Exit yield on sale price (%) | Expected Transfer Date (ETD) | Sector        |
|--|------------------------|------------------------------|------------------------------|---------------|
| 147 - 149 Old Main Rd, Pinetown          | R68 000 000            | 8.5%                         | May 22                       | Industrial    |
| Maxwell Hall, Johannesburg               | R50 000 000            | 9.8%                         | May 22                       | Residential   |
| 102 Essenwood Road, Durban               | R32 000 000            | 10.5%                        | Jul 22                       | Commercial    |
| Five Johannesburg Inner City Properties* | R318 550 665           | 8.6%                         | Sept 22   Feb 23             | Residential   |
| 111 Mimets Road, Denver                  | R71 000 000            | 13.6%                        | Oct 22                       | Industrial    |
| 2 Webb Road, Jet Park                    | R12 400 000            | 8.2%                         | Nov 22                       | Industrial    |
| Residential apartments                   | R44 690 000            | 8.3%                         | Jan 22 - Jan 23              | Residential   |
| Safari Listed Shares                     | R112 000 000           | 12.0%                        | Jan 23                       | Listed Retail |
| 31 Allen Drive, Bellville                | R20 000 000            | 8.8%                         | Jan 23                       | Commercial    |
| <b>TOTAL</b>                             | <b>R728 640 665</b>    | <b>9.7%</b>                  |                              |               |

## Contracted And Unconditional

| Description                                 | Negotiated Sales Price | Exit yield on sale price (%) | ETD             | Sector      |
|---|------------------------|------------------------------|-----------------|-------------|
| Four Johannesburg Inner City Properties*    | R227 699 336           | 8.6%                         | Mar 23 - Jun 23 | Residential |
| 1 Baltex Road, Isipingo                     | R136 500 000           | 9.1%                         | Apr 23          | Industrial  |
| Celtis Ridge Shopping Centre, Centurion     | R143 000 000           | 8.7%                         | Mar 23          | Retail      |
| Cnr Bismuth & Graniet Streets, Jet Park     | R9 000 000             | 9.4%                         | Mar 23          | Industrial  |
| Wood Ibis Investments, Maydon Wharf, Durban | R69 130 000            | 9.5%                         | Mar 23          | Industrial  |
| Residential apartments                      | R51 721 000            | 7.9%                         | Feb 23 - May 23 | Residential |
| <b>TOTAL</b>                                | <b>R637 050 336</b>    | <b>8.8%</b>                  |                 |             |

\* Forming part of the Firstmile deal

# DISPOSALS UPDATE (continued)

## Contracted and Conditional

| Description                                       | Contracted Sales Price | Exit yield on sale price (%) | ETD             | Sector                      |
|---|------------------------|------------------------------|-----------------|-----------------------------|
| Multi Glass, Johannesburg                         | R3 600 000             | 11.0%                        | Dec 23          | Afhco Retail                |
| Hotel at Cullinan Jewel Shopping Centre, Pretoria | R2 700 000             | —                            | Jun 23          | Retail                      |
| Portion of 11 Wankel Street, Jet Park             | R30 000 000            | 5.0%                         | Sep 23          | Industrial -Filling Station |
| Residential apartments                            | R20 696 700            | 7.5%                         | Mar 23 - Jun 23 | Residential                 |
| <b>TOTAL</b>                                      | <b>R56 996 700</b>     | <b>6.4%</b>                  |                 |                             |

## Pipeline in Advanced Negotiations

| Description                                     | Negotiated Sales Price | Exit yield on sale price (%) | ETD    | Sector                      |
|---|------------------------|------------------------------|--------|-----------------------------|
| Cnr Giel Basson & Nathan Mallach Road, Goodwood | R84 000 000            | 9.6%                         | Jun 23 | Industrial - Motor Showroom |
| 120 Loper Avenue, Aeroport Industrial Estate    | R19 000 000            | 9.4%                         | Jun 23 | Industrial                  |
| 15 Patrick Road, Jet Park                       | R20 000 000            | 8.2%                         | Jun 23 | Industrial                  |
| <b>TOTAL</b>                                    | <b>R123 000 000</b>    | <b>9.3%</b>                  |        |                             |

# STRATEGY UPDATE

## RORY MACKEY







# STRATEGY UPDATE OVERVIEW

## SAC STRATEGY

| SECTOR                           | Retail   | Industrial  | Residential  |
|----------------------------------|--|---|--|
| FOCUS                            | Resilient portfolio specialising in convenience oriented shopping centres  | Quality logistics portfolio offering cost effective rentals | Best of class portfolio in inner city precincts and suburban estates |
| Like-for-like ("LFL") NPI Growth | 6.7%   | 2.4%  | 13.1%  |
| TARGET                           | Niche portfolio generating sustainable above inflation distribution growth | Predictable low vacancy portfolio                           | Portfolio scale with diversified investor base                       |

# PORTFOLIO PERFORMANCE RORY MACKEY

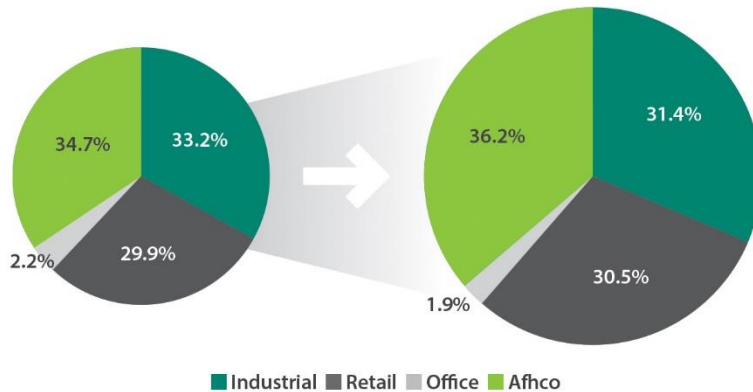


# OVERVIEW – SECTORAL ANALYSIS OF SOUTH AFRICAN PORTFOLIO

## Sectoral Profile of SA Portfolio (% of GLA)

DECEMBER 2021

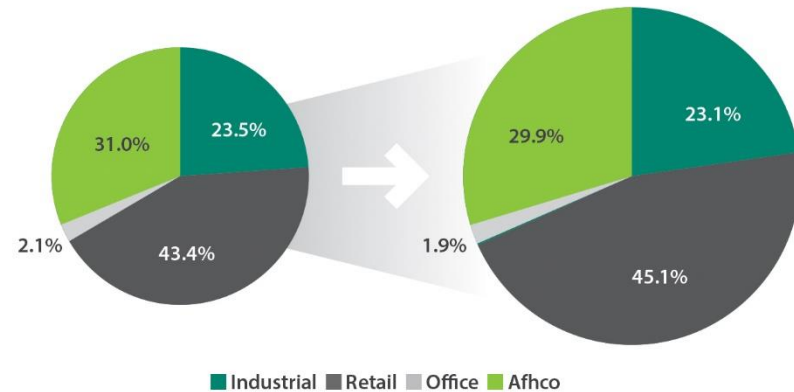
DECEMBER 2022



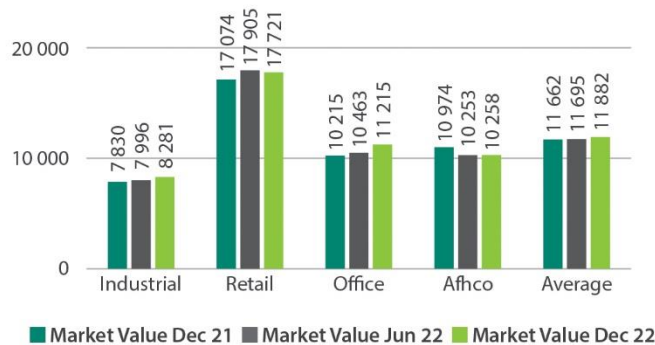
## Sectoral Profile of SA Portfolio (% of Market Value)

DECEMBER 2021

DECEMBER 2022



## Market Value per m<sup>2</sup>



## Environmental Impact

### Benchmarking (Scope 2 & 3 Emissions (tCO<sub>2</sub>e/m<sup>2</sup>))



### Solar PV

|            | Installed  | In Progress                                 |
|------------|--|---|
| Retail     | 9.89 MWp installed<br>(17 properties out of 25 properties) | 560 kWp planned for 2023<br>(1 property)    |
| Industrial | 3.21 MWp installed<br>(6 properties out of 51 properties)  | 1.63 MWp planned for 2023<br>(4 properties) |




# SA PORTFOLIO: RETAIL

Value of South African portfolio

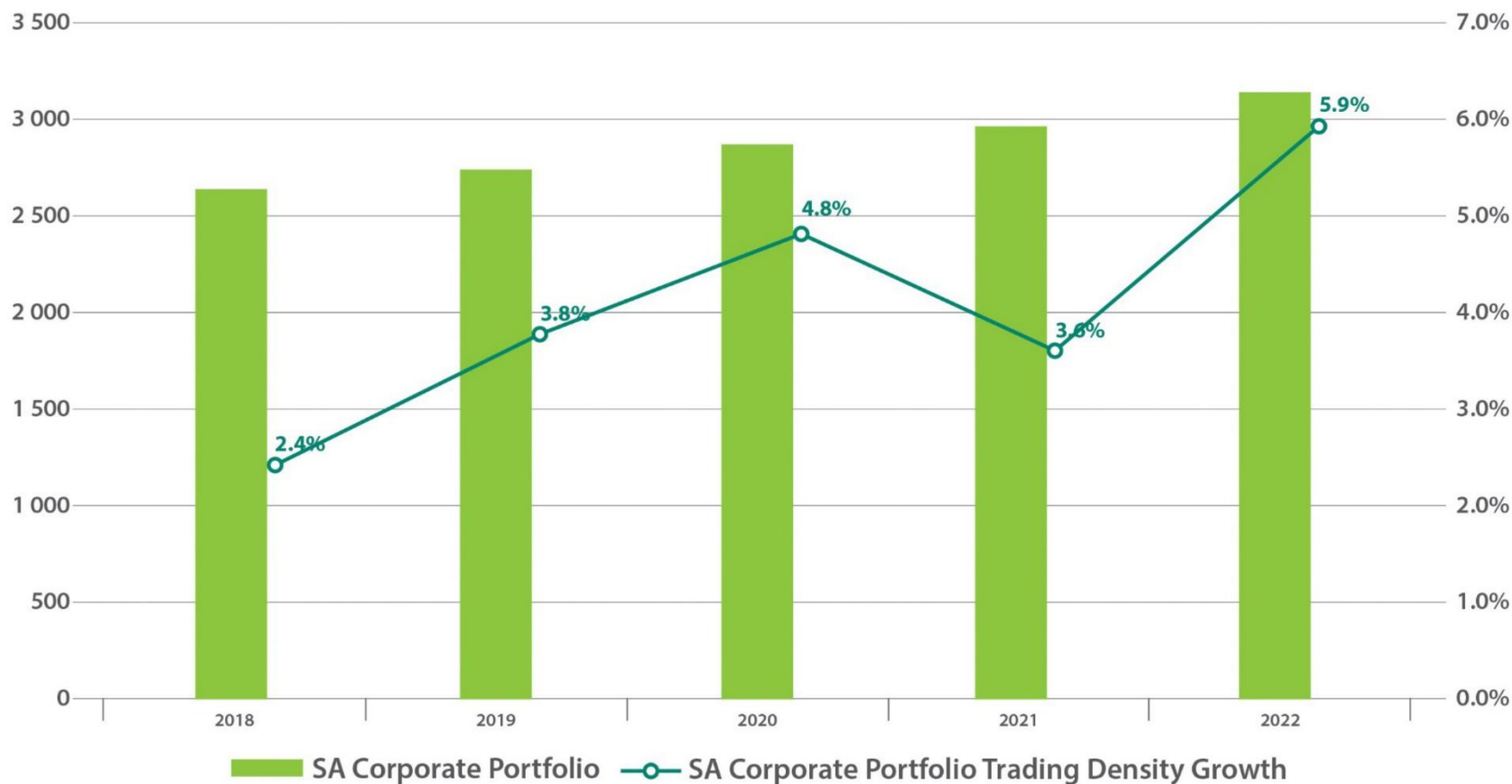
**45.1%**

(2021: 43.4%)

|                             |                              |   |   |
|-----------------------------|------------------------------|---|---|
| LIKE-FOR-LIKE<br>NPI GROWTH | <b>6.7%</b><br>(2021: 21.5%) | ECL AND RENT<br>RELIEF  | <b>-67.6%</b><br>(2022: R9.1m; 2021:<br>R28.0m) |
| VACANCY <sup>1</sup>        | <b>3.2%</b><br>(2021: 4.6%)  | COLLECTIONS   | <b>99.2%</b><br>(2021: 98.9%)                   |
| RENTAL<br>ESCALATION        | <b>6.5%</b><br>(2021: 6.9%)  | ARREARS   | <b>5.0%</b><br>(2021: 6.1%)                     |
| RENTAL<br>REVERSION         | <b>0.2%</b><br>(2021: -8.0%) | WALE  | <b>4.1 years</b><br>(2021: 3.6 years)           |
| TRADING DENSITY<br>GROWTH   | <b>5.9%</b><br>(2021: 4.6%)  |  |   |



# Y-O-Y MONTHLY RETAIL TRADING DENSITY GROWTH



# 2022 RETAIL LEASING PERFORMANCE

31-Dec-21



VACANCY

4.6%



NATIONAL  
TENANCY

57.6%



CONVENIENCE

41.7%

## NEW LEASING

|                       |        |
|-----------------------|--------|
| GLA (m <sup>2</sup> ) | 34 506 |
| National tenancy      | 72.7%  |
| Convenience           | 74.8%  |

31-Dec-22



VACANCY

3.2%



NATIONAL  
TENANCY

63.3%



CONVENIENCE

59.2%

# SA PORTFOLIO: RETAIL INITIATIVES



*Coachman's Crossing upgrade introducing Woolworths Food*



*Springfield Value Centre: New McDonald's drive thru and Totalsports extension*



*Morning Glen Mall sports and lifestyle component*



*Musgrave Centre, new Checkers complemented by rooftop alterations*



*Davenport Square improved convenience focus*



# SA PORTFOLIO: INDUSTRIAL

Value of South African portfolio

**23.1%**

(2021: 23.5%)

LIKE-FOR-LIKE  
NPI GROWTH

**2.4%**

(2021: 1.4 %)

ECL AND RENT  
RELIEF

**-82.9%**

(2022: -R1.0m; 2021: -R5.6m)

VACANCY

**0.2%**

(2021: 0.7%)

COLLECTIONS

**99.4%**

(2021: 101.4%)

RENTAL  
ESCALATION

**6.4%**

(2021: 6.7%)

ARREARS

**3.8%**

(2021: 2.8%)

RENTAL  
REVERSION

**-3.1%**

(2021: -7.0%)

WALE

**4.1 years**

(2021: 4.1 years)

LOGISTICS

**80.4%**

(2021: 74.1%)





# SA PORTFOLIO: AFHCO

Value of South African portfolio

**29.9%**

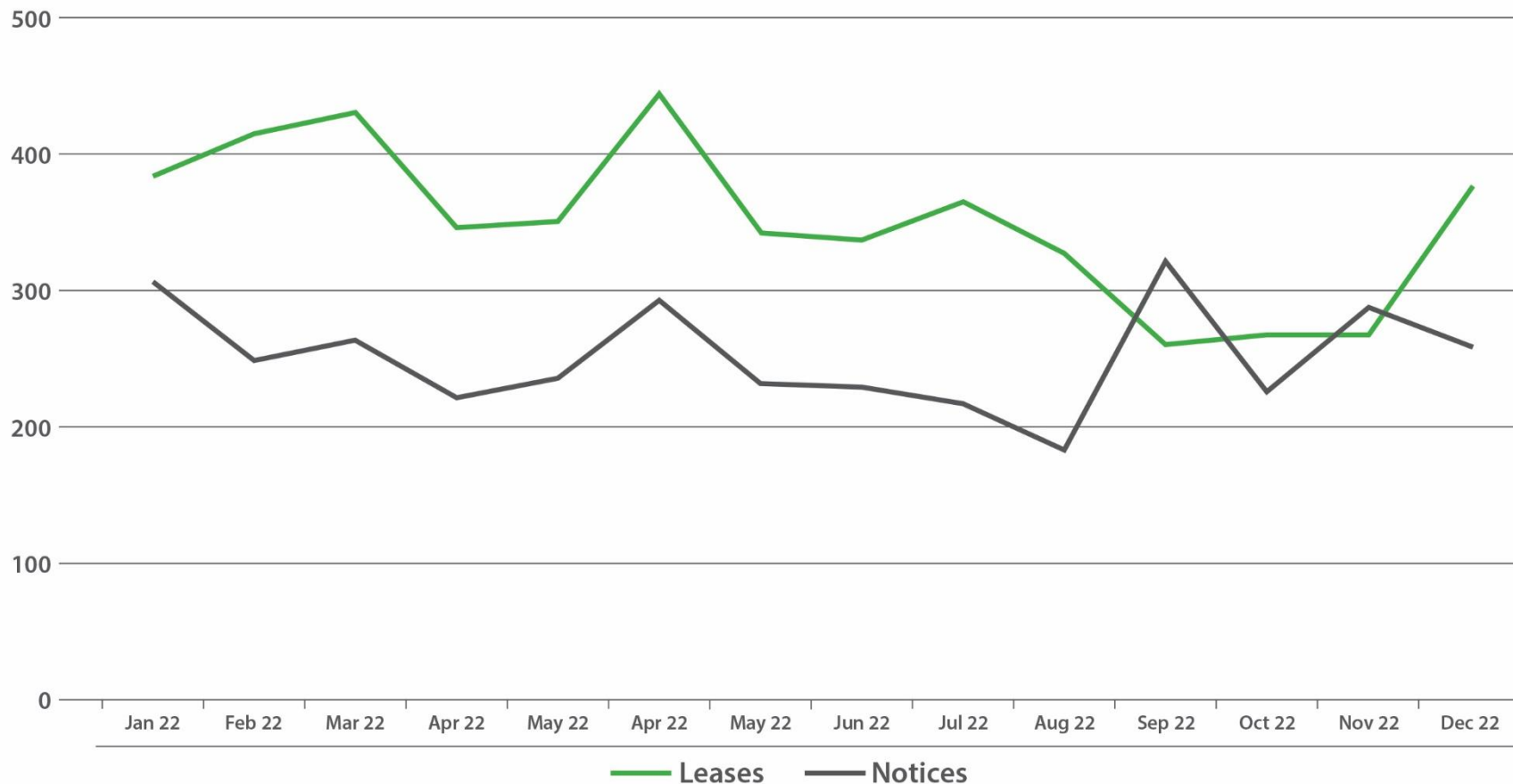
(2021: 31.0%)

| TOTAL                        |  | RESIDENTIAL<br>(85% of portfolio)  |                              | RETAIL<br>(15% of portfolio) |                               |
|------------------------------|--|------------------------------------|------------------------------|------------------------------|-------------------------------|
| LIKE-FOR-LIKE NPI INCREASE   | <b>13.1%</b><br>(2021: 7.4 %)                    | VACANCY RESIDENTIAL <sup>1</sup>   | <b>2.9%</b><br>(2021: 8.5 %) | VACANCY RETAIL               | <b>5.5%</b><br>(2021: 5.8 %)  |
| ECL AND RENT RELIEF          | <b>-65.3%</b><br>(2022: R13.3m;<br>2021: R38.4m) | RENTAL INCREASE ON EXPIRING LEASES | <b>2.6%</b><br>(2021: 0.5%)  | RENTAL ESCALATION            | <b>6.9%</b><br>(2021: 7.1%)   |
| COLLECTIONS (EXCL. STUDENTS) | <b>100.0%</b><br>(2021: 98.1%)                   | NEW LEASE DISCOUNTING              | <b>-3.5%</b>                 | RENTAL REVERSION             | <b>-4.6%</b><br>(2021: -4.1%) |
|                              |  |                                    |                              | TENANT RETENTION             | <b>60.1%</b><br>(2021: 46.4%) |



# AFHCO RESIDENTIAL LEASING PERFORMANCE

## Monthly leases & notices



# ZAMBIAN PORTFOLIO

## ZAMBIAN JV

50% Property value

# R1.4 bn

(2021: R1.1bn)



**JV Distributable Income: ↑ 44.2% y-o-y**  
**50% NPI Growth 63.7% (USD) 81.4% (ZAR)**

2021: -9.8% (USD) -18.8% (ZAR)

**East Park Mall 67 311m<sup>2</sup> (71.0% of Zambia Portfolio Value)**

**Vacancy**

**2.3%**

(2021: 9.4%)

**Rental escalation (USD)**

**3.2%**

(2021: 3.0%)

**Expiries**

**100.0%**

Renewed at flat USD rental

**Acacia Office Park 12 554m<sup>2</sup> (13.3% of Zambia Portfolio Value)**

**Vacancy**

**13.8%**

(2021: 14.8%)

**Rental escalation (USD)**

**4.2%**

(2021: 2.0%)

**Expiries**

**No expiries**

**Jacaranda Mall 14 925m<sup>2</sup> (15.7% of Zambia Portfolio Value)**

**Vacancy**

**19.1%**

(2021: 19.8%)

**Rental escalation (USD)**

**4.2%**

(2021: 2.6%)

**Expiries**

**64.6%**

Renewed at flat USD rental

Payment of USD5 million on 8 February 2022 and USD6.9 million to be made iro Development Equity for phases 5,6 and 7 at East Park Mall (32,367m<sup>2</sup>) at an initial after-tax property yield of 9.14%.

Zambian JV subsidiary acquired 59.9% of Real Estate Investment Zambia ("REIZ") funded by JV subsidiary debt on 09 December 2022 – 50% cost (SAC portion) USD3.5 million.

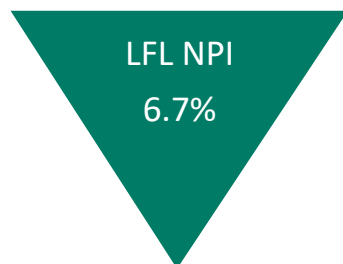


# FINANCIAL PERFORMANCE SAM MOODLEY





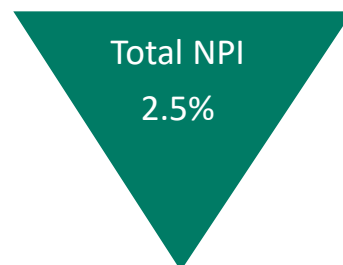
# 2022 DISTRIBUTABLE INCOME ANALYSIS



**R69.9m**

- Improved rental largely due to reduced vacancies and lower relief & deferment – R40.2m
- Improved recoveries due to reduced vacancies – R55.0m
- Improved turnover rental and other income of R9.1m
- Reduced ECL – R34.0m
- Increase in municipal expenses – (R41.5m)
- Increase in other expenses – (R26.9m)

## Like-for-like

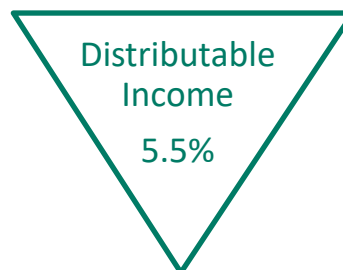


**R28.2m**

## Developments, Disposals & Acquisitions

- NPI lost from divestments – (R43.4m)
- NPI i.r.o. acquisition of The Falls Lifestyle Estate – R3.2m
- Improved rental and recoveries – R9.3m
- Increase in municipal expenses – (R6.0m)
- Increased ECL – (R1.7m)
- Increase in other expenses – (R3.1m)

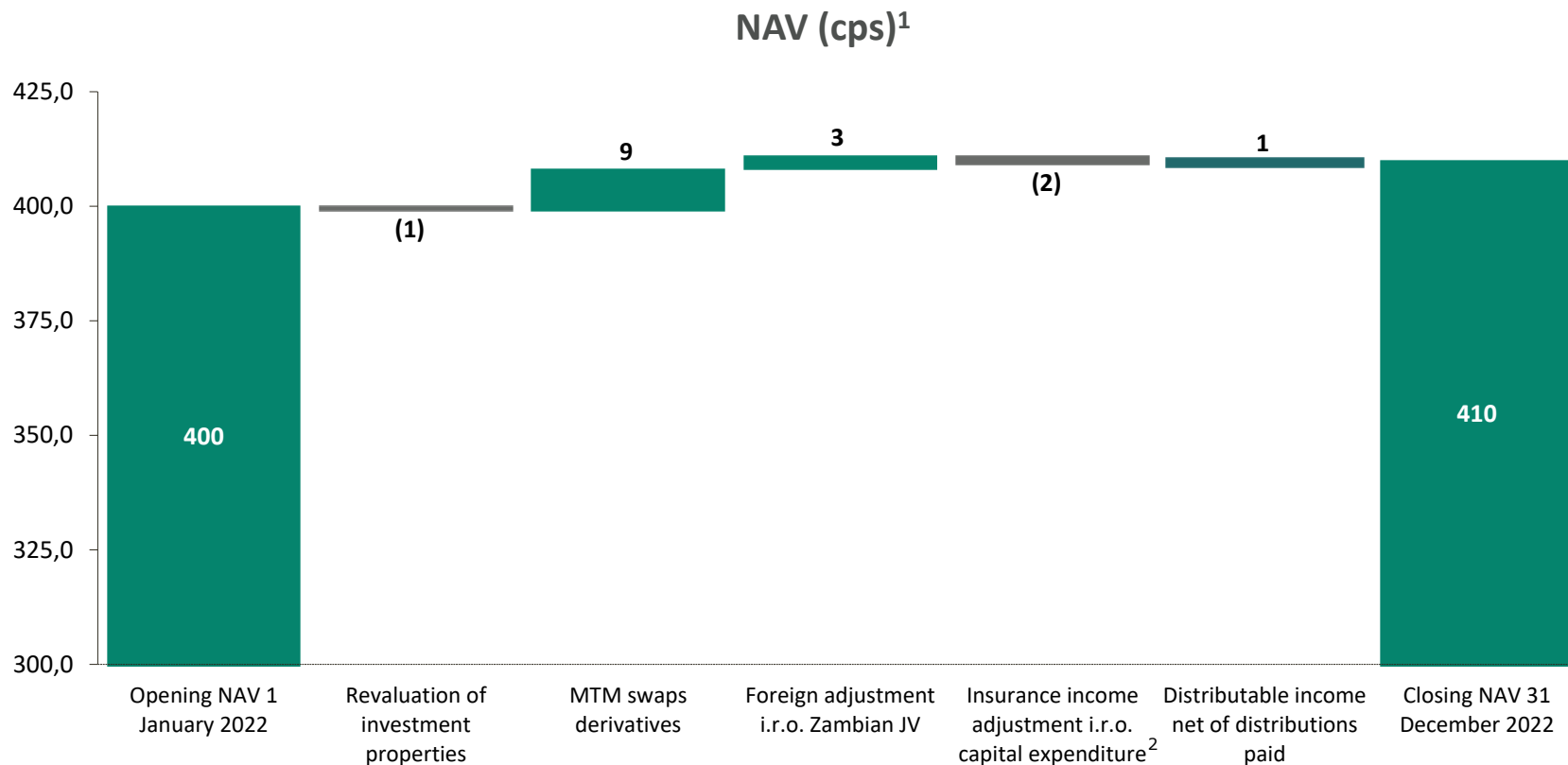
- Investments (Listed, Unlisted) & JV Income increased by R21.4m



## GEARING IMPACT

- Distributable income 26.83 cps (2021: 25.43 cps)

# NET ASSET VALUE (CPS)<sup>1</sup>

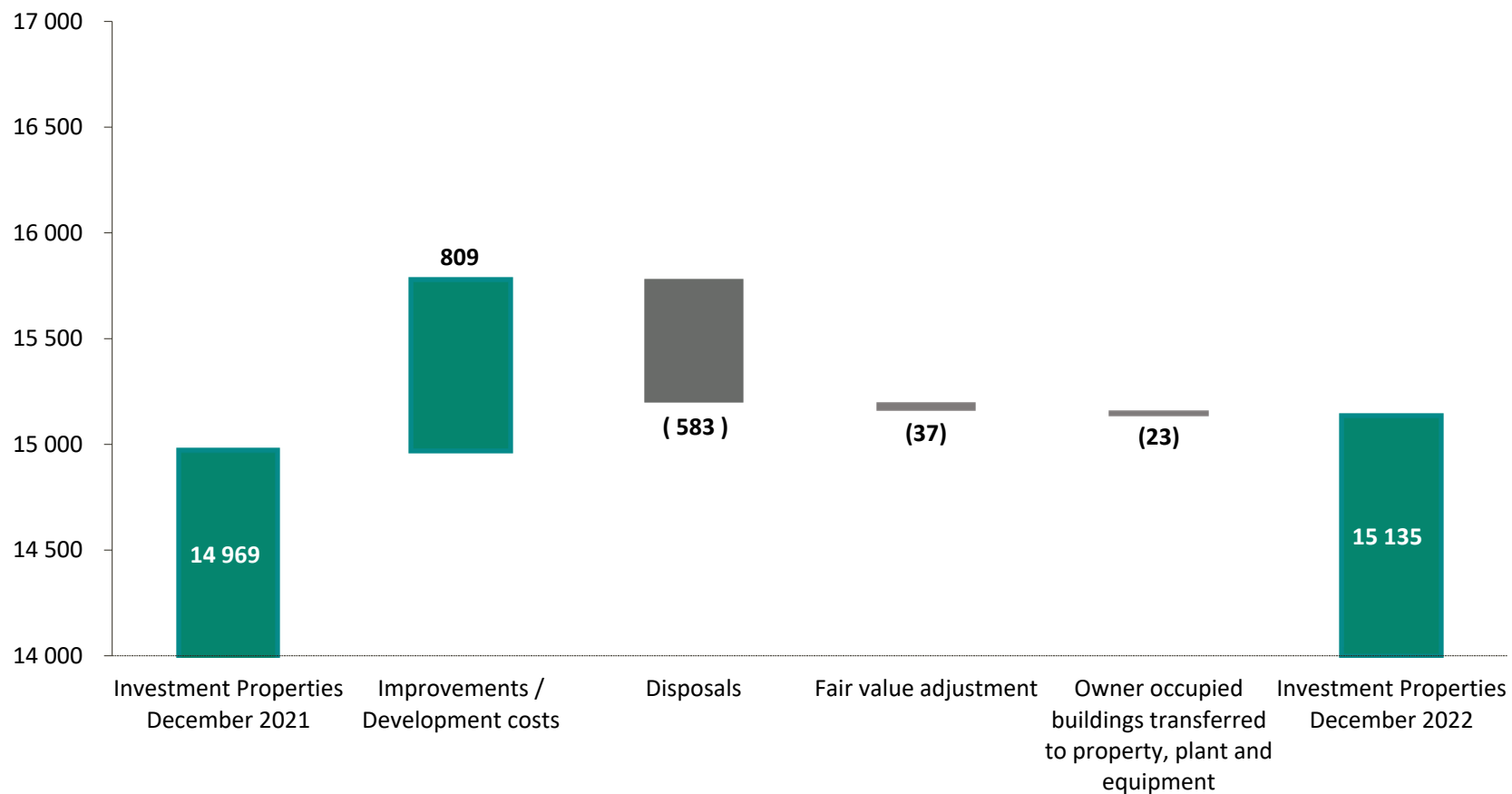


<sup>1</sup> Based on IFRS and shares in issue.

<sup>2</sup> Decrease due to a downward revision of the total estimated reinstatement costs related to property damaged in the July 2021 riots.

The SA REIT defined NAV is calculated as NAV per the Summary Consolidated Statement of Financial Position, less goodwill and intangible assets, deferred taxation and any final dividend declared, not paid in respect of the reporting period. The SA REIT NAV per share was 399 cps (2021: 388 cps) as at 31 December 2022.

# INVESTMENT PROPERTY ANALYSIS





# DEBT & INTEREST RATE SWAP FACILITIES

## Debt facilities

| Term debt                       | Unutilised revolving credit facilities ("RCF") | Average tenor                     | Weighted average rate ("WAR") excluding swaps |
|---------------------------------|--|-----------------------------------|---|
| <b>R7.1bn</b><br>(2021: R6.8bn) | <b>R597.1m</b><br>(2021: R615.0m)              | <b>3 years</b><br>(2021: 2 years) | <b>8.8%</b><br>(2021: 5.5%)                   |

## Swap profile

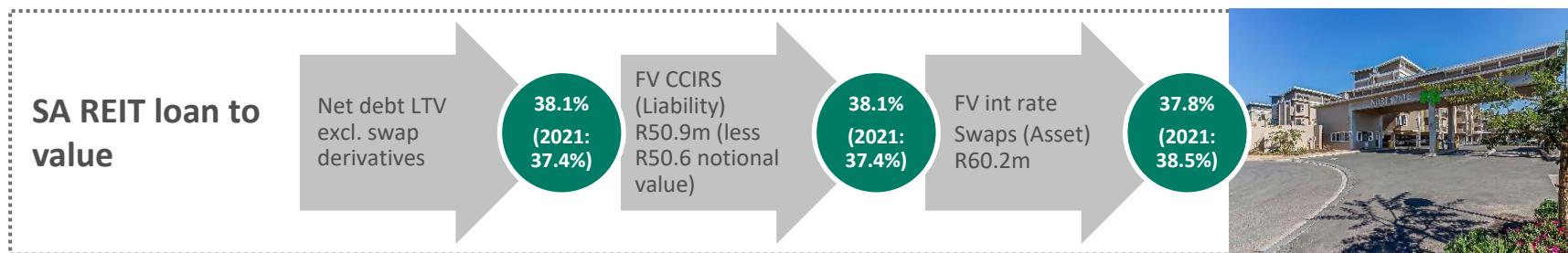
| Hedged %                      | Swap margin                 | Average tenor                         | WAR including swaps         |
|-------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| <b>70.7%</b><br>(2021: 77.3%) | <b>0.1%</b><br>(2021: 2.5%) | <b>2.0 years</b><br>(2021: 2.1 years) | <b>8.9%</b><br>(2021: 8.0%) |


## Debt metrics

| LTV                                       | ICR (Net Interest)                          | Debt maturity profile   | Swap maturity profile   |
|---|---|---|---|
| <div>38.1%</div> <div>(2021: 37.4%)</div> | <div>2.42 x</div> <div>(2021: 2.37 x)</div> | <div><div>2023</div><div>1%</div></div> <div><div>2024</div><div>28%</div></div> <div><div>2025</div><div>26%</div></div> <div><div>2026</div><div>23%</div></div> <div><div>2027</div><div>22%</div></div> | <div><div>2023</div><div>19%</div></div> <div><div>2024</div><div>27%</div></div> <div><div>2025</div><div>27%</div></div> <div><div>2026</div><div>27%</div></div> |



# SA REIT LOAN TO VALUE AND NET INTEREST COVER



|   |   | 2022      | 2021      | Variance |
|---|---|-----------|-----------|----------|
| <b>Net interest cover</b>  | <b>Distributable income before interest (R'000)</b> | 1 151 294 | 1 106 026 | 45 268   |
|   | <b>Net Finance cost (R'000)</b>                     | 476 562   | 466 564   | 9 998    |
|   | <b>Net Interest cover</b>                           | 2.42      | 2.37      | 0.05     |

# OUTLOOK





## RETAIL 2023 OUTLOOK

- 84.0% Non-expiring rental revenue
- Contracted escalation 6.7%
- Renewal expiries anticipated to be marginally above flat
- Vacancy to reduce further
- Operational expenses to be greater than inflation by *circa* 200bps



# INDUSTRIAL 2023 OUTLOOK

- 86.0% Non-expiring rental revenue
- Contracted escalation 6.37%
- Forecast renewal reversions marginally negative
- Vacancy to remain negligible but with downtime of *circa* 8 000m<sup>2</sup> over 3 months
- Operational expenses to be well-controlled approximating inflation





# AFHCO 2023 OUTLOOK

## Residential

- Rental increases on renewals for the year are expected to be between 4% and 6%
- Vacancy anticipated to remain below 3% for much of the year on the back of improving market conditions and the high interest rate environment

## Retail

- Escalation remains @ circa 6% with renewal reversions showing improvement compared with 2022
- Vacancy to remain stable at circa 5%



# 2023 FY DISTRIBUTABLE INCOME FORECAST

## 2023 FY Distributable Income Forecast Excluding Indluplace Transaction

|  | 2023 vs 2022 R'm | 2023 vs 2022 %      |
|--|------------------|---------------------|
| <b>LFL NPI excluding loadshedding provision</b>              |                  | <b>4.5% to 5.0%</b> |
| Loadshedding provision                                       | (10) to (20)     |                     |
| <b>LFL NPI including loadshedding provision</b>              |                  | <b>3.0% to 4.0%</b> |
| Increase in interest rates & dilutionary impact of disposals | (90)             |                     |

**Note:** 2022 H1 Distributable Income > 2022 H2 by R50m

# RESIDENTIAL STRATEGY EXECUTION

## **Unlisted Residential Fund**

- Capital favouring direct impact investments rather than listed sector

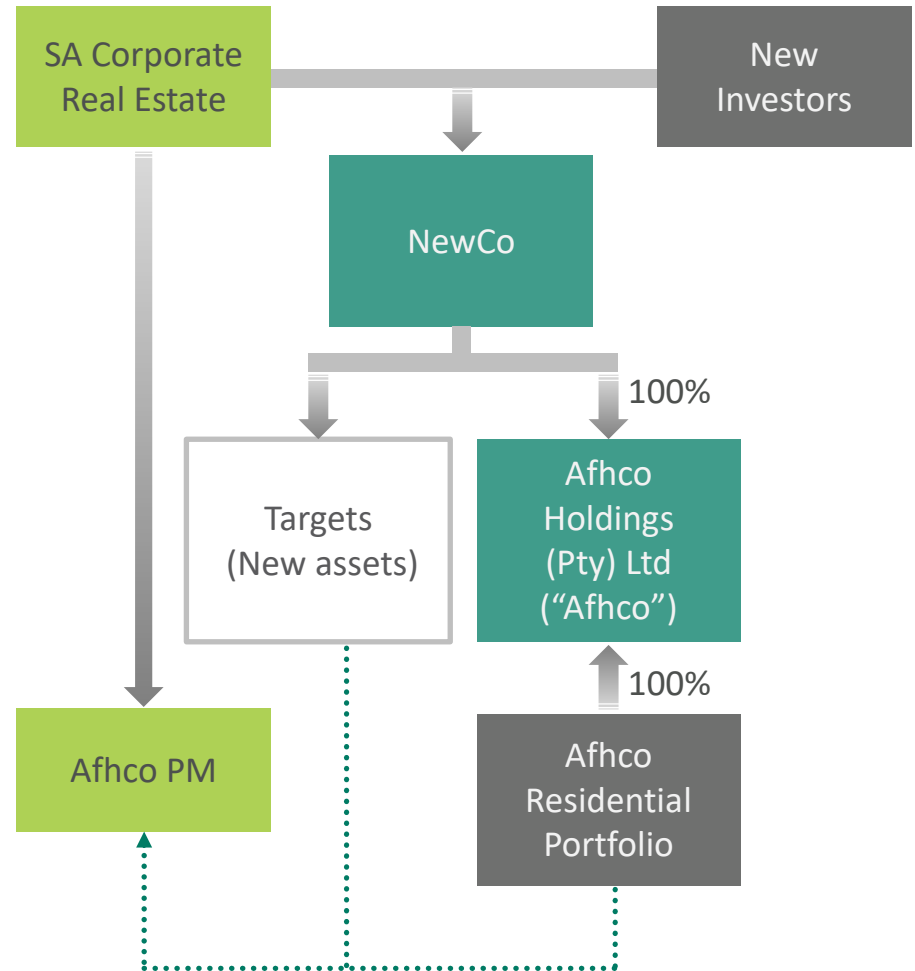
## **Indluplace Transaction**

- Acquisition of listed property trading at substantial discount to NAV attractive compared with direct property



# UNLISTED RESIDENTIAL FUND OVERVIEW

- SAC shares in Afhco will be sold to NewCo in exchange for new shares in NewCo
- SAC will retain a significant interest with the objective to participate in the long-term value accretion from the unlisted Portfolio
- SAC will partner with new like-minded investors who will have the opportunity to subscribe for shares in NewCo for cash
- New capital raised will be utilised to pursue further portfolio acquisitions aligned to the existing Portfolio, which would lead to further economies of scale being realised as the Portfolio bulks up
- Afhco PM has an established team with vast experience in managing residential assets and is envisaged to undertake all property and asset management functions for NewCo
- NewCo will be classified as an unlisted REIT (as will be managed by SAC, which is a REIT)



# UNLISTED RESIDENTIAL FUND RATIONALE

## Rationale for the Fund



- SAC (through Afhco with its track record and ability) is well placed to raise capital from investors wishing to diversify away from traditional real estate sectors threatened by technological change and/or increase their exposure to socially responsible investment
- The Fund would allow SA Corporate to introduce investors with the appetite for alternative residential exposure
- Potential for NAV growth through future divestment in NewCo and SAC deployment of capital raised
- The Fund would attract capital into Afhco from direct investors at a lower cost of capital, complemented by potentially attractively priced debt from DFIs and other socially minded debt providers which would provide a pool of capital to grow the Portfolio
- The considerably larger portfolio would bring further economies of scale unlocking more value to investors

## Rationale for seeking a new partner and expectations



- **Rationale for seeking new partners in the Fund would entail:**
  - Access to growth capital from like minded investors
  - Risk-sharing
  - Access to extensive real estate networks
  - Impact oriented investors/partners likely to assist in raising debt at favourable rates from impact-cognisant financiers
- **Expectations of new partners would include amongst others the following:**
  - Support from new partners on establishing the Fund and on further portfolio growth transactions
  - Representation on the board of directors
  - Long-term oriented partners with a passion for impactful investing





# UNLISTED RESIDENTIAL FUND RATIONALE (continued)

## Reasons to invest



### Management

- **Long term partners** focused on building sustainable long-term growth and value for investors
- **Experienced management** team with extensive residential property experience
- **Strong network and relationships** in the residential sector
- **Ability to source deals** through extensive network of team members and existing presence in the market
- Aligned incentive structure since team will have “**skin in the game**”



### Market and asset class

- **Focus on ESG** and creation of social housing solutions with strong corporate governance adherence (with the aim to producing sustainable returns)
- Investors will have access to a portfolio of **unique unlisted residential assets** (direct real asset exposure)
- **Niche asset class** offering investors the opportunity at direct exposure to what is considered a defensive asset class
- **Diversification**
  - **Low correlations with other asset classes** will improve investors risk-adjusted returns



### Structure

- SPV to raise **equity from new investors and debt funding from external financiers** (impact focused)
- **Track record and the size of NewCo** will lead to a healthy pipeline of opportunities and preferential access to transactions, driving enhanced returns
- **Unlisted nature** of NewCo will aid with nimble closure of future transactions



# UNLISTED RESIDENTIAL FUND RATIONALE (continued)

## Reasons to invest



### Financial prospects

- **Reliable cashflows less sensitive to economic downturns**
  - **Defensive NOI** -during economic downturns, demand for affordable yet high-quality and centrally located living environments increases due to down-sizing and economising by households living in higher-tier accommodation
- **Inflation-beating returns and duration risk mitigation over the long-term:**
  - **An inflation hedge** -well-located affordable housing has been shown to be a basic essential good, thus creating a natural inflation hedge as households forego other expenditure before giving up a living arrangement that provides ease of access to economic opportunity and essential amenities
  - Property's risk and return characteristics can assist investors to **mitigate duration risk due to the long-term nature** of the asset class
- **Attractive source of potential distributions**
  - Residential property investment allows access to an attractive source of potential distributions beyond traditional fixed income investments (liquidity premium pick-up)



### Pipeline

- Immediate pipeline consists of potential **acquisition opportunities** of income generating assets
- Additionally, **developmental opportunities** have also been earmarked with numerous developers that SA Corporate has existing relationships with



# UNLISTED RESIDENTIAL FUND PARAMETERS

## Investments

- NewCo to invest in **affordable and social housing assets** to achieve the greatest social impact in the communities it invests in
- NewCo to invest in assets with a competitive edge providing, *inter alia*, the following:
  - **Inner-city and lifestyle complexes, student housing as well as social housing**
  - **Safe and Secure**
  - Internal amenities
  - Low maintenance
  - **Close to work and transport**
  - Community friendly
  - **Individual leases**

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## Portfolio metrics

- Initial portfolio size to be c. **R3.0bn** with an indicative cap rate of 9.5%
- NewCo targeting a capital raise of up to **R2.0bn**
- Gearing to be utilised conservatively on a case-by-case basis in order to generate enhanced returns for investors
- NewCo targeting a portfolio of c. **R10.0bn** in c. 5 years

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## Geography

- Newco will invest in South African and may consider properties in the rest of Africa at a later stage

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## Investor Universe

- Targeting and currently engaged in discussions with select investors comprising of the following:
  - South African Pension Funds
  - South African Asset Managers
  - South African DFIs
  - Foreign Pension Funds
  - Foreign DFIs
  - Sovereign investment companies
- Six entities undertaking internal processes



# INDLUPLACE TRANSACTION SUMMARY

## Transaction

**100% acquisition of all the issued ordinary shares in Indluplace Properties Limited (“Indluplace”), by way of scheme of arrangement**

- Anticipated effective date 1 July 2023

## Yield

- Distribution yield will be accretive

## On Strategy

- Furthers strategic aim to create a sector focussed unlisted residential property fund
- Provides a strategic fit for Afhco’s portfolio in that:
  - Suburban weighted spread furthers Afhco’s intention to rebalance its portfolio toward a more equal split between inner city and suburban portfolios post divestment from poor quality portfolios
  - Allows Afhco to further its initiative of growing its quality portfolio and making it available at attractive price points in the first-time home-buyer FLISP market



# KEY TRANSACTION PROCESS

## Key acquisition workstreams

In order to satisfactorily meet the commercial rationale and enact the post acquisition outcomes, key workstreams carried out as per the below

### Due Diligence

Due diligence carried out by expert teams: corporate and compliance, human resources, legal, commercial and technical and operational. Conducted to gain an understanding of both Indluplace and its underlying portfolio; and if necessary, identify the requisite mitigation strategies

### Implementation Agreement

Concluded to effect the acquisition in a manner that ensures ability to achieve acquisition objectives with adequate risk protection

### Shareholder Support

Irrevocable letters of support signed by Indluplace shareholders representing 70.5% of shareholders eligible to vote in favour of the acquisition have been procured





# SUMMARY OF HISTORIC INDLUPLACE PORTFOLIO METRICS

## Property Portfolio – Valuation Metrics

|  |                |
|--|----------------|
| 2022 Property Valuation                | R3 306 million |
| Implied Property Acquisition Valuation | R2 360 million |
| Net Replacement Value                  | R4 886 million |

## Property Portfolio – Average Rentals

| Average Rentals | Rooms  | Bachelors | One bed | Two bed | Three bed | Four bed |
|-----------------|--------|-----------|---------|---------|-----------|----------|
| Rental          | R1 617 | R3 022    | R4 000  | R5 113  | R5 661    | R6 892   |
| Number of Units | 736    | 1 421     | 1 734   | 4 390   | 762       | 146      |

### Total Buildings

**124**

*Vacancy of 10.7%*

### Total Residential units

**9 189**

*Student units make up 5% of the total units*

### Total Student Accommodation beds

**2 472 beds**

### Total Retail m<sup>2</sup>

**15 549**

*Vacancy of 8.9%*

# SUMMARY OF HISTORIC INDLUPLACE PORTFOLIO METRICS



| Location     | %    | No. of Units |       |          |       |       |       |       |
|--------------|------|--------------|-------|----------|-------|-------|-------|-------|
|              |      | Total        | Rooms | Bachelor | 1 Bed | 2 Bed | 3 Bed | 4 Bed |
| Bloemfontein | 1%   | 71           | -     | 35       | 10    | 25    | -     | 1     |
| Hillbrow     | 27%  | 1 613        | 243   | 538      | 275   | 231   | 236   | 90    |
| Inner City   | 26%  | 1 595        | 165   | 249      | 498   | 573   | 81    | 29    |
| Jhb East     | 24%  | 1 488        | 292   | 56       | 519   | 590   | 31    | -     |
| Jhb North    | 6%   | 358          | 5     | 32       | 210   | 111   | -     | -     |
| Jhb West     | 3%   | 156          | 1     | 37       | 32    | 78    | 8     | -     |
| Pretoria     | 7%   | 399          | -     | 152      | -     | 247   | -     | -     |
| Windsor      | 6%   | 381          | 29    | 14       | 61    | 229   | 45    | 3     |
| Total        | 100% | 6 061        | 735   | 1 113    | 1 605 | 2 084 | 401   | 123   |

| Property Portfolio – Average Rentals | Total Value | No. of Units | Occupancy |
|--------------------------------------|-------------|--------------|-----------|
| Flats                                | 58%         | 6 061        | 90.4%     |
| Suburban Estates                     | 32%         | 2 648        | 94.0%     |
| Student Accommodation                | 10%         | 480          | 50.0%     |

## SUBURBAN ESTATES



| Location   | %    | No. of Units |       |          |       |       |       |       |
|------------|------|--------------|-------|----------|-------|-------|-------|-------|
|            |      | Total        | Rooms | Bachelor | 1 Bed | 2 Bed | 3 Bed | 4 Bed |
| Emalahleni | 17%  | 450          | -     | -        | -     | 450   | -     | -     |
| Jhb East   | 24%  | 627          | -     | 24       | 30    | 573   | -     | -     |
| Jhb North  | 2%   | 54           | 1     | 4        | 22    | 2     | 2     | 23    |
| Jhb South  | 17%  | 459          | -     | -        | 18    | 422   | 19    | -     |
| Jhb West   | 22%  | 586          | -     | 24       | 22    | 503   | 37    | -     |
| Pretoria   | 18%  | 472          | -     | 256      | 37    | 152   | 27    | -     |
| Total      | 100% | 2 648        | 1     | 308      | 129   | 2 102 | 85    | 23    |

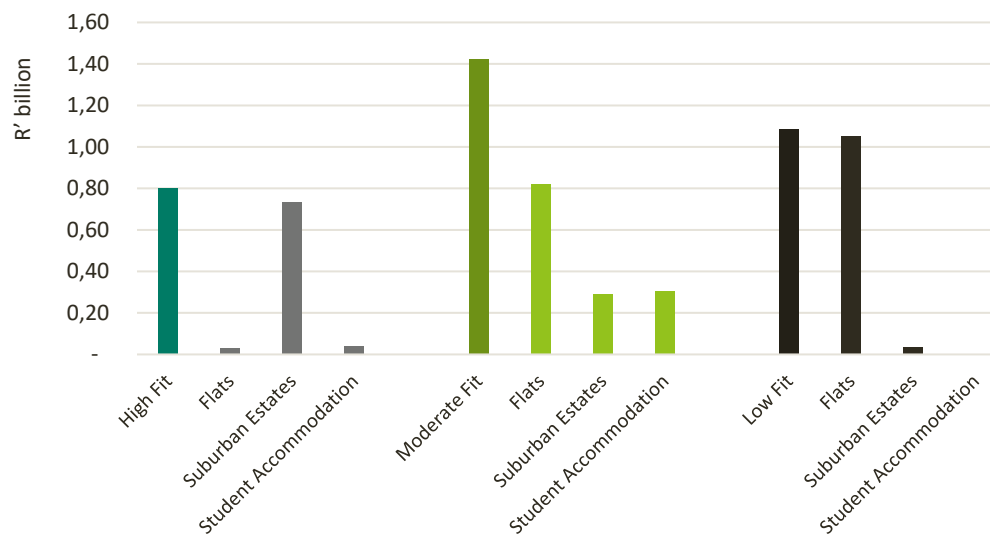
# SUMMARY OF INDLUPLACE PORTFOLIO CATEGORISATION

## Framework for Assessing the Portfolio

SAC categorisation of properties in respect of strategic fit:

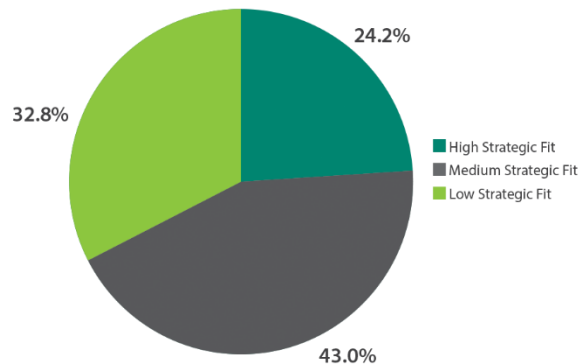
- 1) **High** – manage to Afhco standards
- 2) **Moderate** – bring to Afhco standards
- 3) **Low** – reduce exposure over a commercially reasonable period

## Breakdown of Value per Property Type



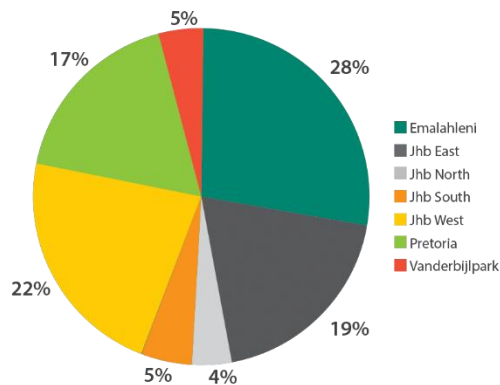
# SUMMARY OF INDLUPLACE PORTFOLIO CATEGORISATION

## Overall Portfolio Categorisation by Value

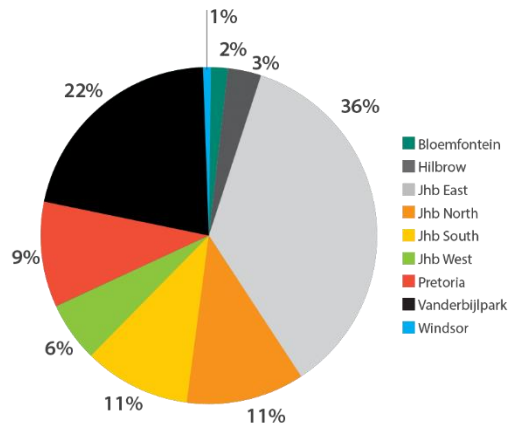


## Geographic Spread by Value

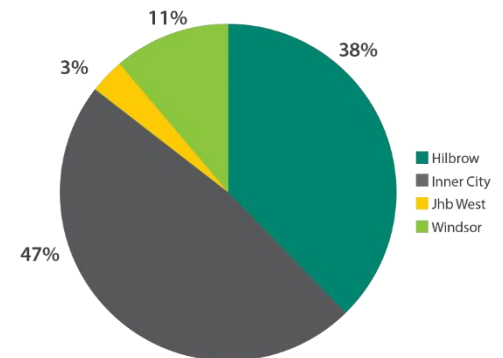
### HIGH STRATEGIC FIT




### MEDIUM STRATEGIC FIT



### POOR STRATEGIC FIT





# INDLUPLACE TRANSACTION SALIENT TERMS & FINANCIAL IMPACT

Cash Offer Price R3.40

Post

Clean out distribution net of

maximum of **R85m** primarily attributable to capital expenditure and executive contractual entitlement costs

## Property Portfolio

|  |                |
|--|----------------|
| 2022 Valuation                         | R3 306 million |
| Offer Price                            | R3.40          |
| Implied NAV                            | R1 007 million |
| Debt                                   | R1 355 million |
| Implied Property Acquisition Valuation | R2 362 million |
| Implied Property Yield                 | 10.76%         |

## Pricing

|  |       |
|--|-------|
| Purchase Forward Yield   | 12.7% |
| Distributable Income Yield Accretion (12 months from effective date) including cost saving synergies | 6.6%  |



# TRANSACTION FUNDING

| Sources of Funding                     | Quantum      | Cost  | Comments  |
|--|--------------|-------|---|
| Disposal proceeds from SAC's portfolio | 656          | 9.20% | Certain properties earmarked for disposal at an implied transaction yield of 8.97% but proceeds were assumed to settle funding at JIBAR plus 175bps |
| Proceeds from sale of Safari Shares    | 112          | 9.20% | Sold at a yield of 12% but proceeds were assumed to settle funding at JIBAR plus 175bps   |
| Undrawn RCF                            | 239          | 9.13% | Assumed cost of funding of 3m JIBAR plus 167.5bps   |
| <b>TOTAL</b>                           | <b>1 007</b> |       | <b>Funding required</b>   |

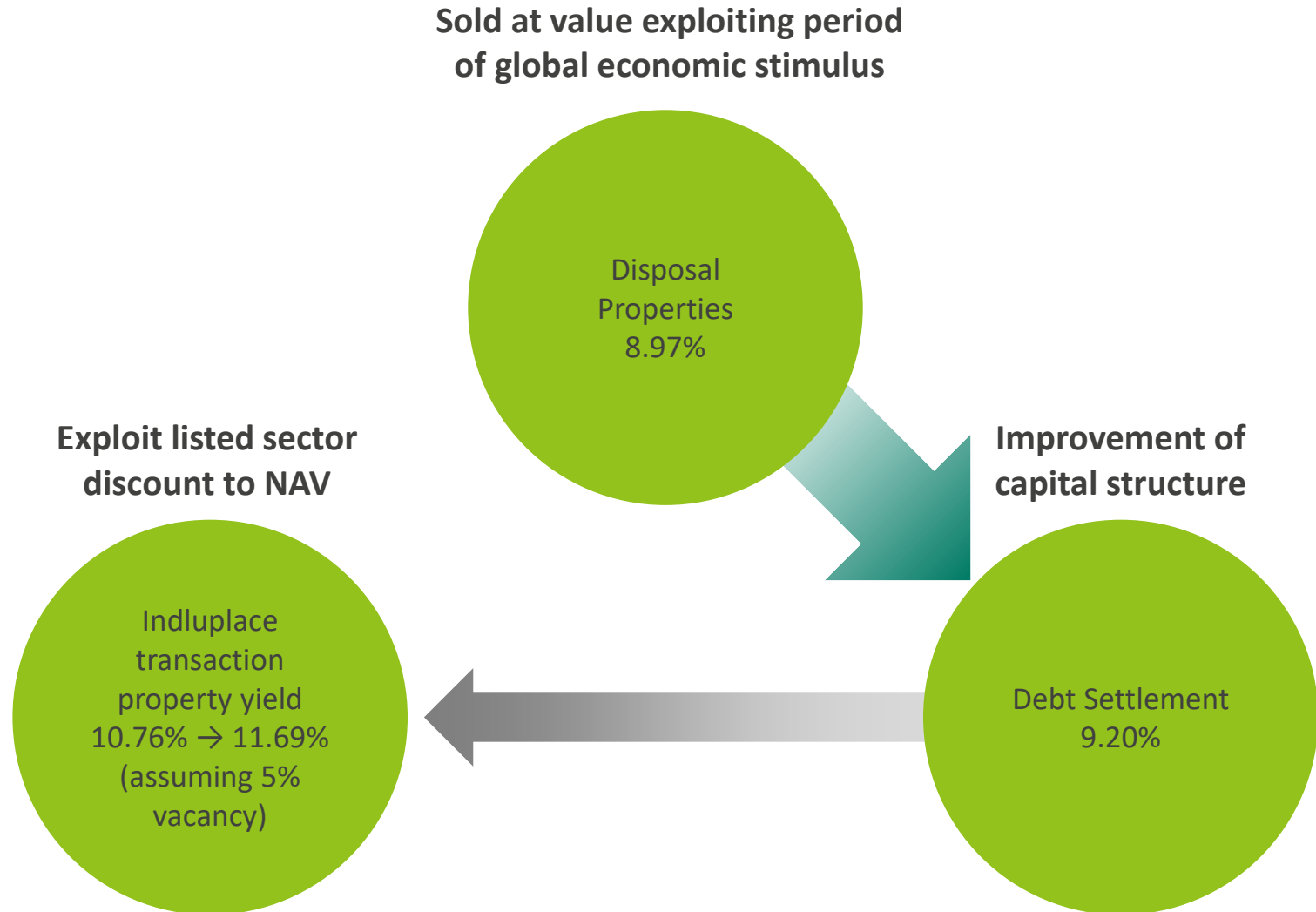
- Other funding options include a R550 million Absa bank acquisition facility and proceeds from the disposal of properties from the Indluplace exposure reduction category.

| Debt Covenants           |         |           |            |         |          |           |
|--------------------------|---------|-----------|------------|---------|----------|-----------|
| SAC Covenants - LTV      | SAC     | Disposals | Indluplace | Total   | New debt | Resultant |
| Assets (million)         | R16 620 | (R768)    | R3 404     | R19 255 |          | R19 255   |
| Debt (million)           | R6 275  |           | R1 308     | R7 583  | R257     | R7 840    |
| LTV (%) **               | 37.8%   |           | 38.4%      | 39.4%   |          | 40.7%     |
| SAC Covenants – ICR      |         |           |            |         |          |           |
| EBITDA (million)         | R1 151  | (R59)     | R254       | R1 346  |          | R1 346    |
| Finance Charge (million) | R513    |           | R124       | R637    | R23      | R660      |
| ICR                      | 2.25x   |           | 2.05x      | 2.11x   |          | 2.03x     |

\* Including derivatives.

# Makes no provision for capital raised from the unlisted residential fund or proceeds from the disposal of properties from the exposure reduction category.

# STRATEGIC RECYCLING OF CAPITAL



# QUESTIONS





# APPENDICES

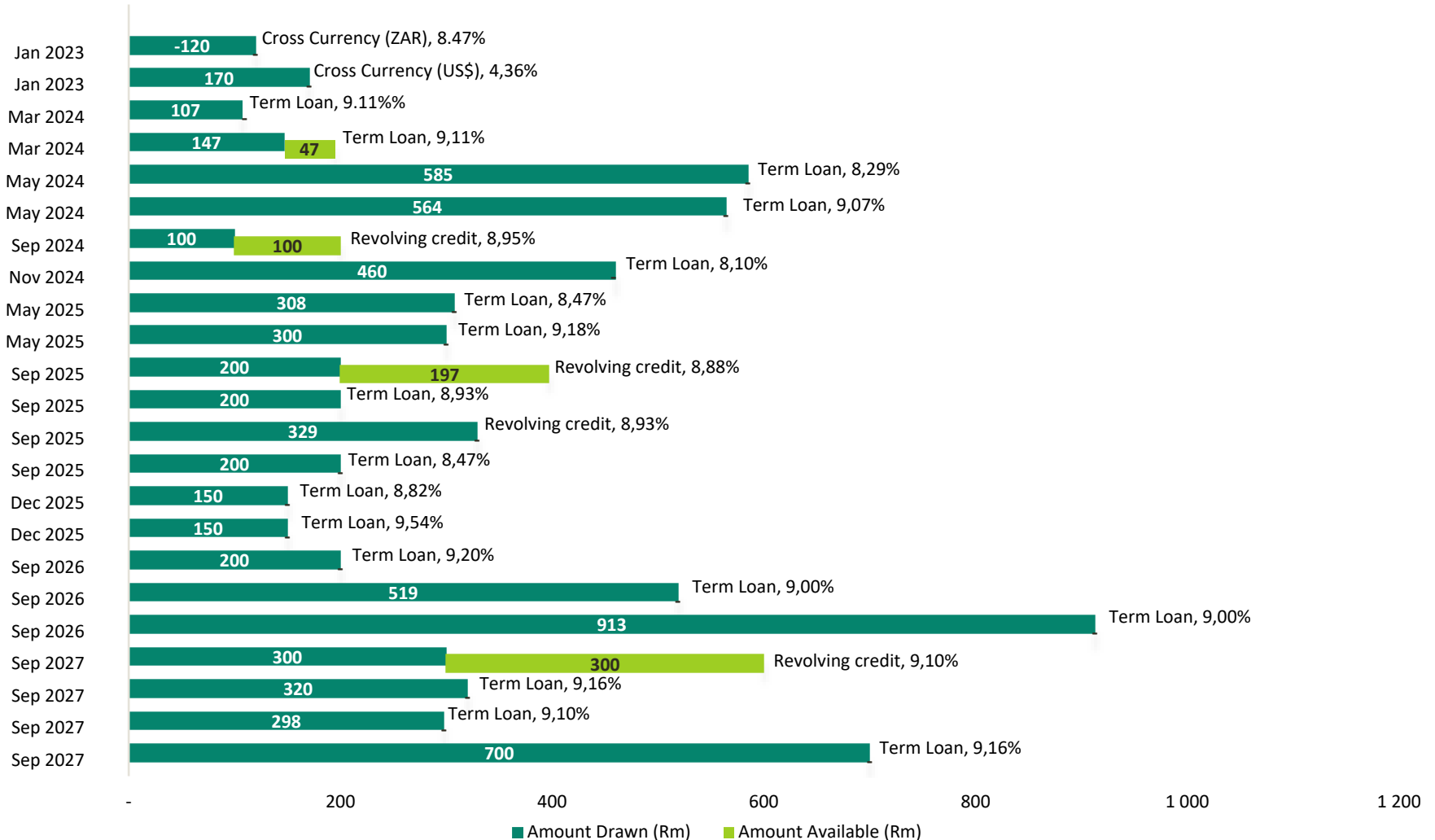


# DISTRIBUTABLE INCOME AT A GLANCE FOR THE YEAR ENDED 31 DECEMBER 2022

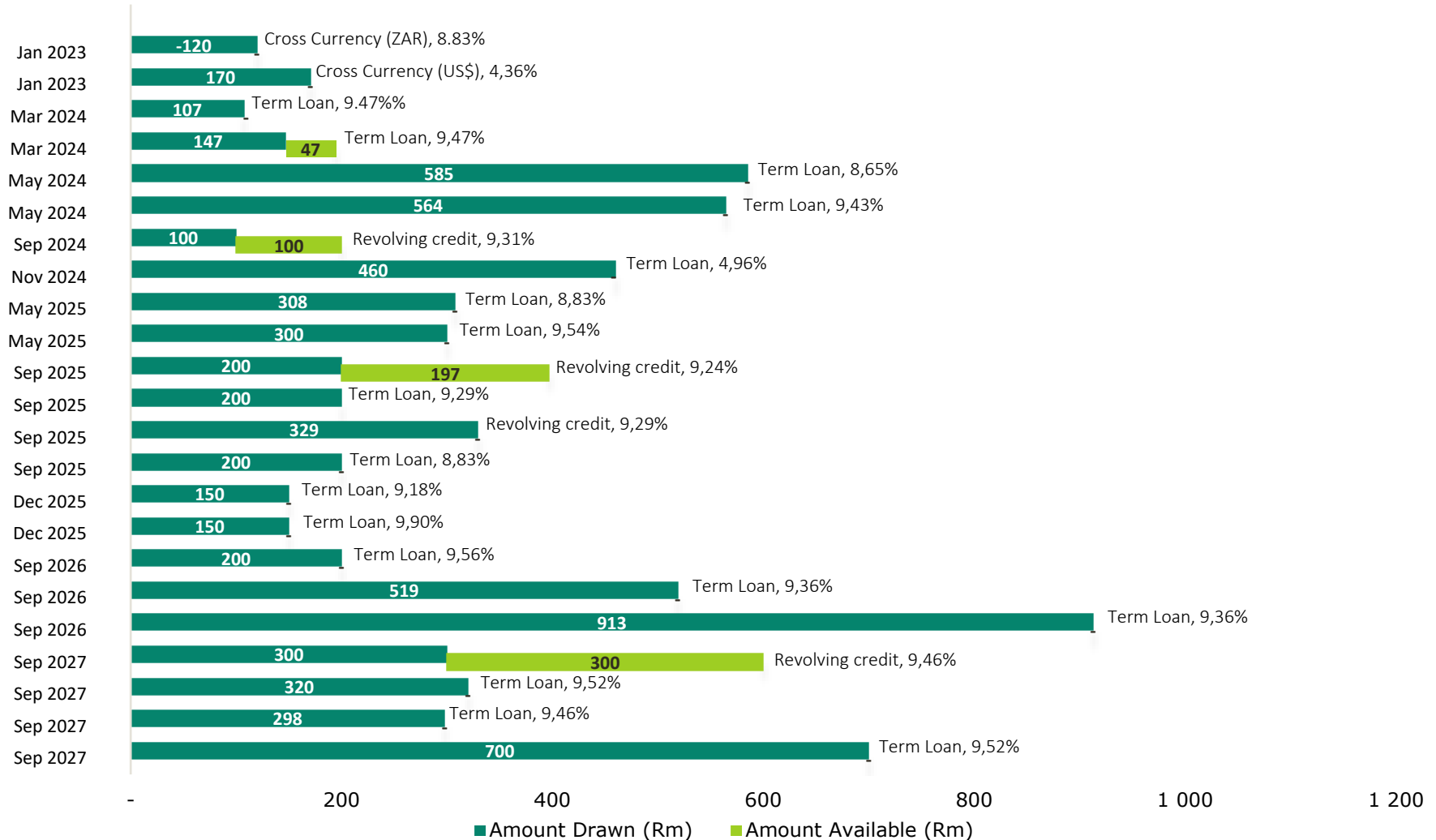
|   | Dec 2022<br>Rm   | Dec 2021<br>Rm   | %<br>Variance |
|---|------------------|------------------|---------------|
| Net Property Income – Like-for-like           | 1 113.666        | 1 043.804        | 6.7           |
| Net Property Income - Developments            | 23.112           | 24.657           | (6.3)         |
| Net Property Income – Acquisitions            | 3.283            | -                | -             |
| Net Property Income - Buildings sold          | 32.582           | 75.941           | (57.1)        |
| <b>Net Property Income</b>                    | <b>1 172.643</b> | <b>1 144.402</b> | <b>2.5</b>    |
| Taxation on distributable income              | (1.878)          | (3.077)          | 39.0          |
| Income from investment in joint ventures      | 47.155           | 30.648           | 53.9          |
| Net finance costs                             | (476.666)        | (466.564)        | (2.1)         |
| Distribution-related expenses                 | (84.833)         | (79.369)         | (6.9)         |
| Dividends from investment in listed shares    | 18.342           | 13.420           | 36.7          |
| <b>Distributable Income</b>                   | <b>674.763</b>   | <b>639.460</b>   | <b>5.5</b>    |
| <b>Distributable income per share (cents)</b> | <b>26.83</b>     | <b>25.43</b>     | <b>5.5</b>    |



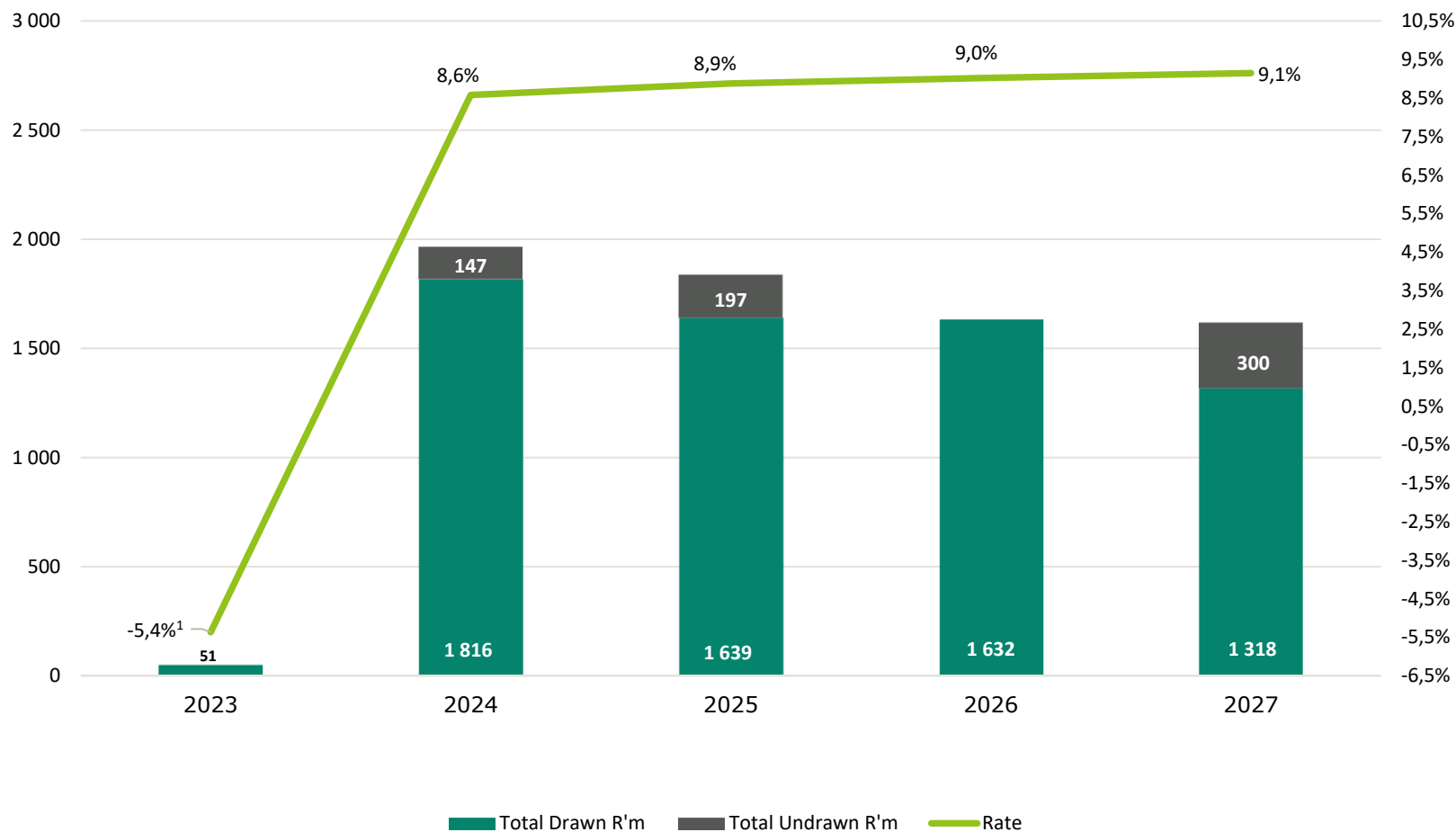
# GROUP DEBT STRUCTURE – AT 31 DECEMBER 2022 (EXCL FIXES)



# GROUP DEBT STRUCTURE – AT 31 DECEMBER 2022 (INCL FIXES)

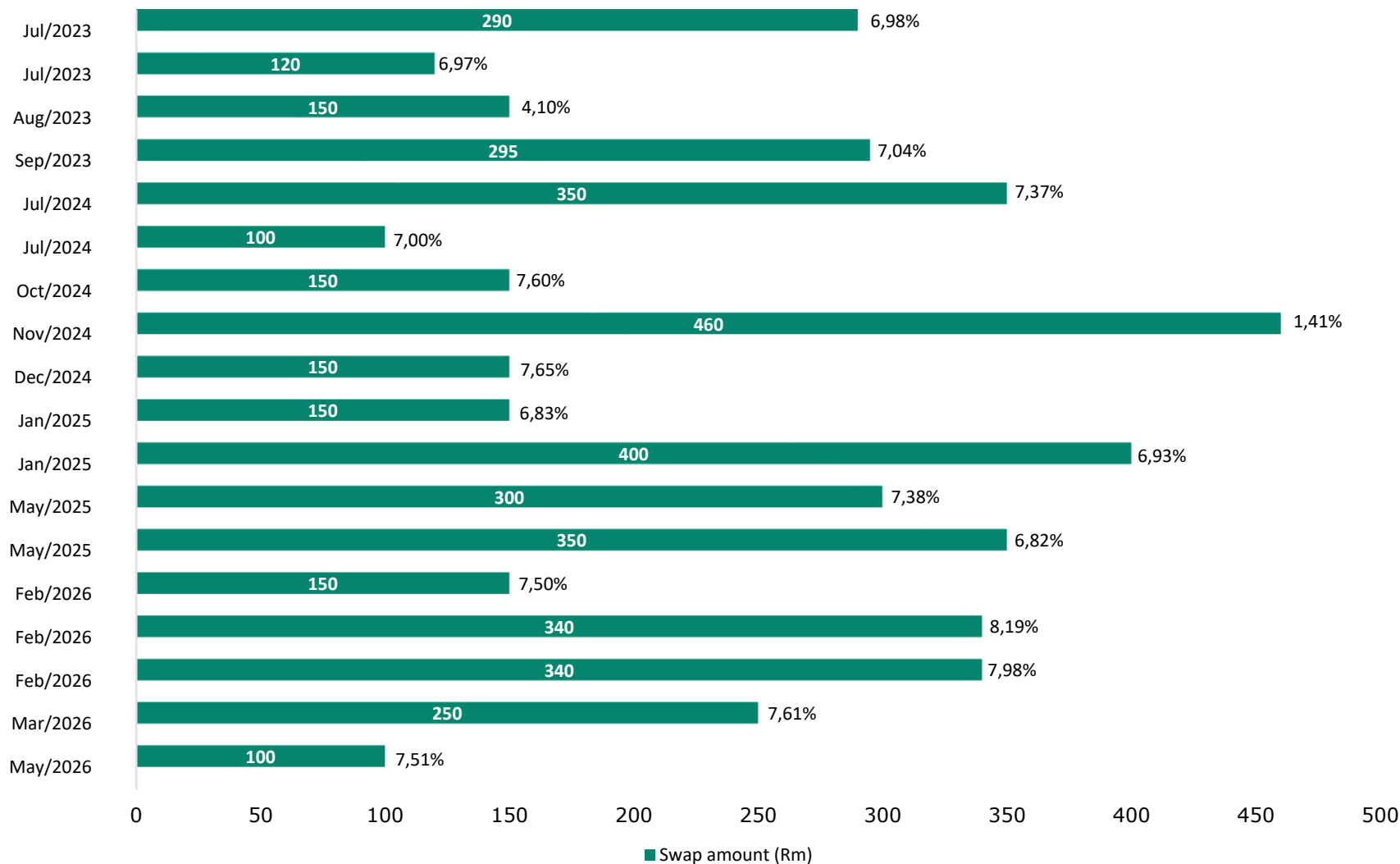


# GROUP DEBT PROFILE AT 31 DECEMBER 2022

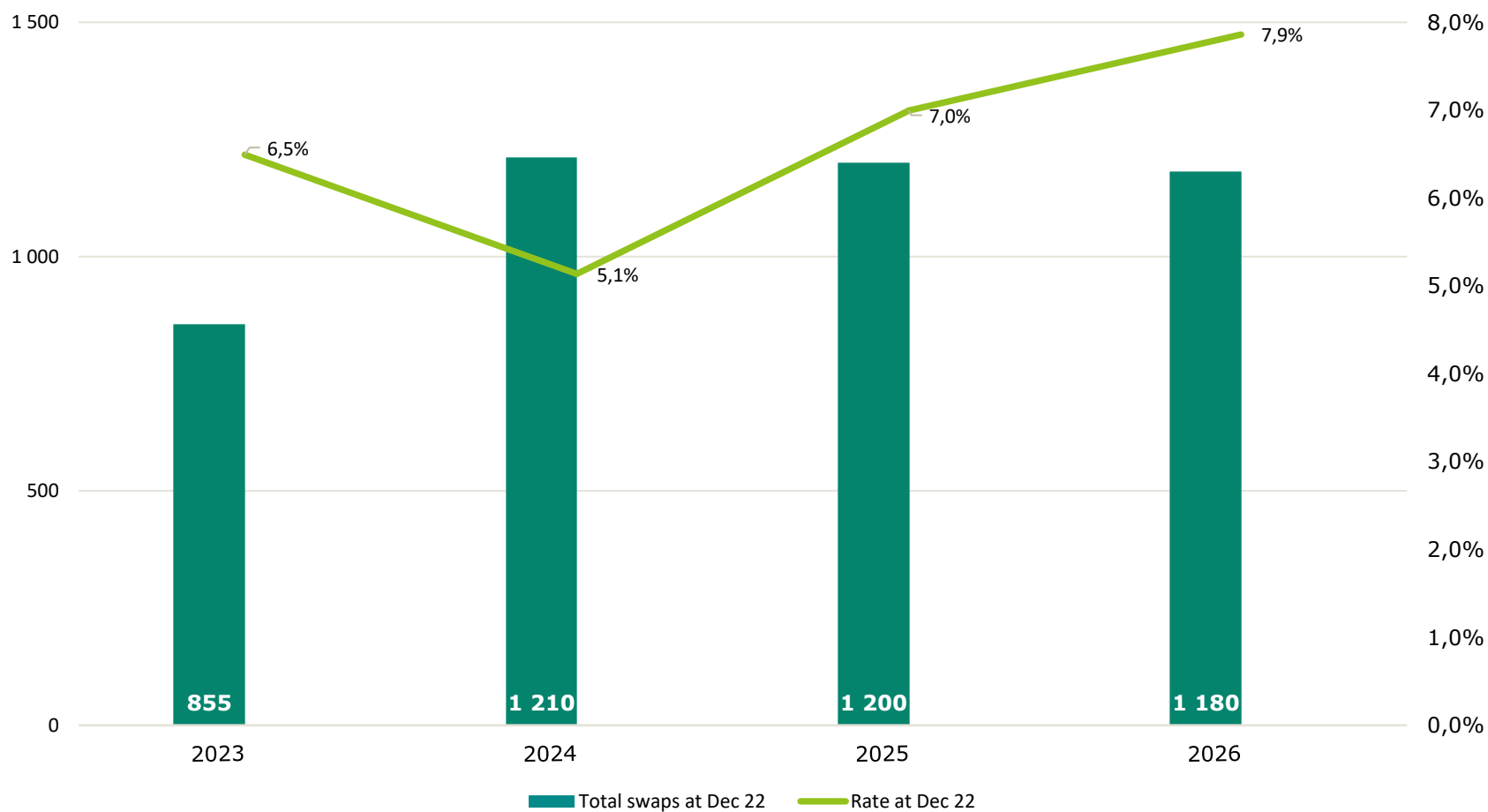


<sup>1</sup> Negative due to impact of the cross currency.

# GROUP DEBT STRUCTURE SWAPS AT 31 DECEMBER 2022



# INTEREST RATE SWAP EXPIRY AT 31 DECEMBER 2022



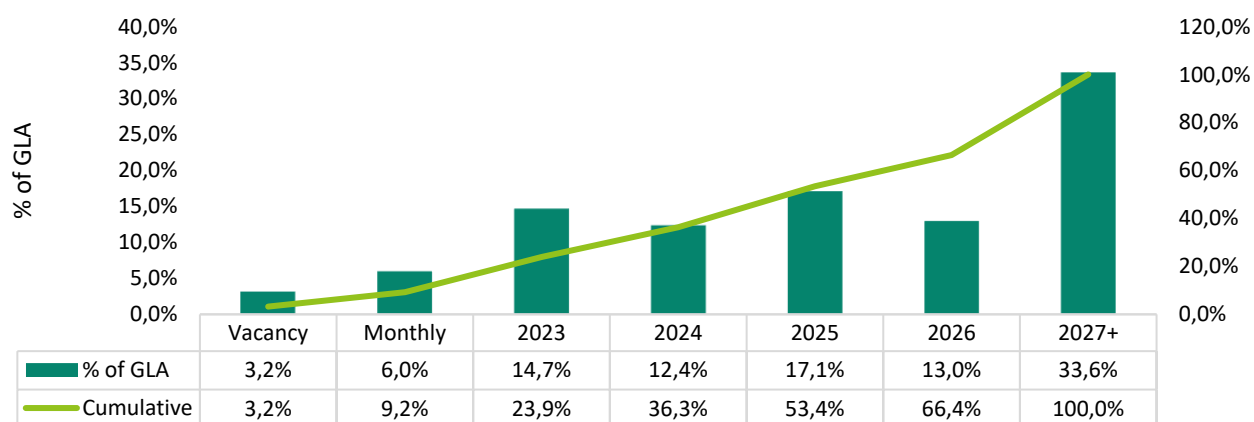


# RETAIL PORTFOLIO

## Portfolio<sup>1,2</sup>

|  |                           |                                     |                   |
|--|---------------------------|-------------------------------------|-------------------|
| Portfolio value R6.8bn                                 | 41 Properties             | Top 10 tenants                      | National exposure |
| GLA 385 635m <sup>2</sup>                              | 22.9% Grocer GLA of total | GLA 35.6%                           | 62.9%             |
|  |                           | Rental 31.7%                        | 63.3%             |
| Cost to revenue (Like-for-like) 43.9%<br>(2021: 43.6%) |                           | Tenant retention success rate 84.2% |                   |

## Lease Expiries



# INDUSTRIAL PORTFOLIO

## Portfolio

Portfolio value R3.5bn

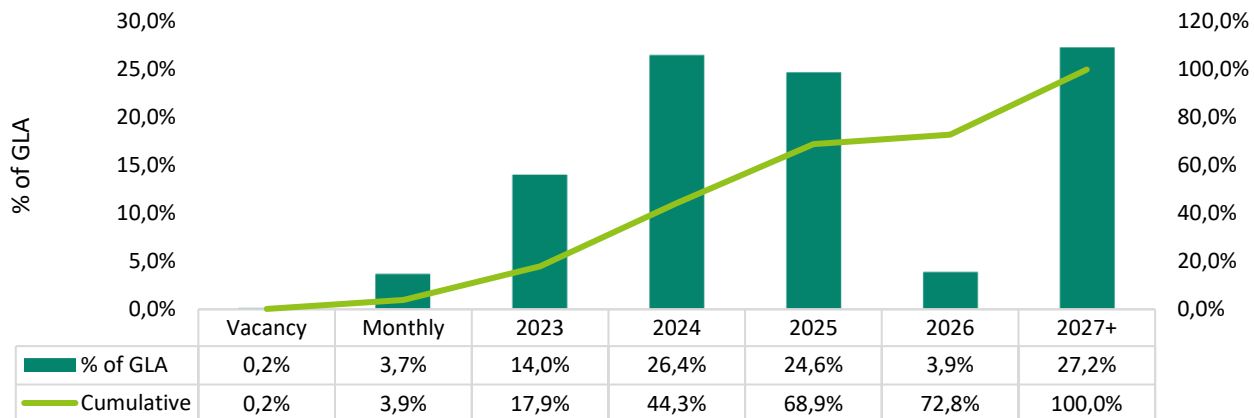
51 Properties

GLA 424 173m<sup>2</sup>

31.4% GLA of total portfolio

Cost to revenue (Like-for-like) 29.9% (2021: 27.6%)

## Lease Expiries



# AFHCO PORTFOLIO OVERVIEW

## Portfolio<sup>1</sup>

Portfolio value R4.5bn

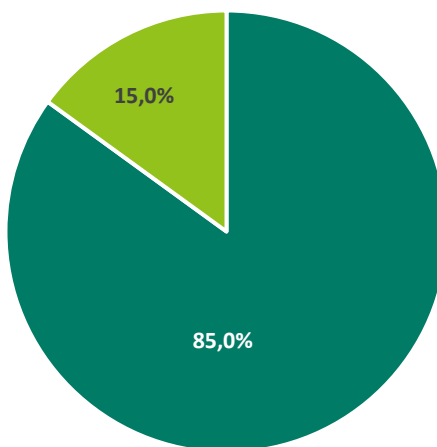
58 Properties

GLA Apartments 370 235m<sup>2</sup>

Retail 65 377m<sup>2</sup>

Cost to revenue (Like-for-like) 44.6% (2021: 48.6%)

## By GLA



■ Residential ■ Retail / Commercial

# COMMERCIAL PORTFOLIO OVERVIEW

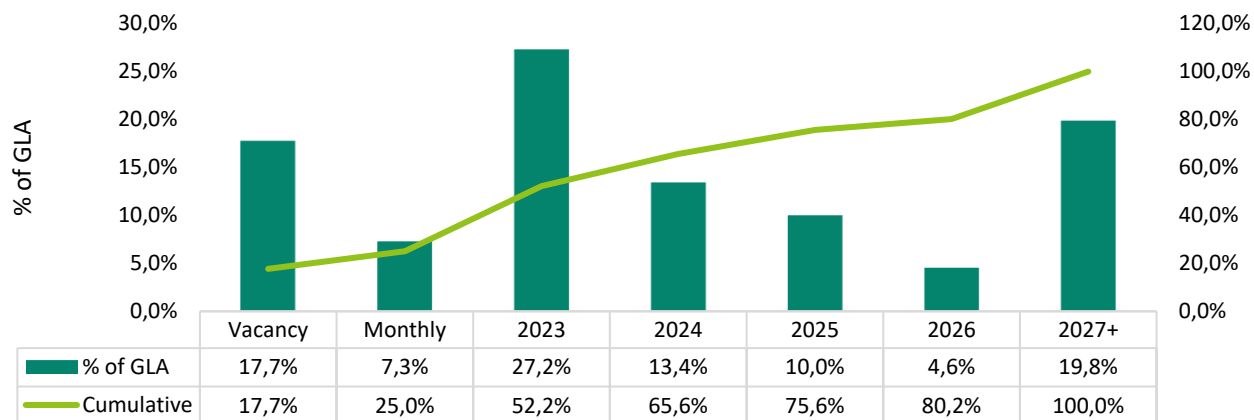
## Portfolio

Portfolio value R0.3bn      3 Properties

GLA 25 591m<sup>2</sup>      1.9% GLA of total portfolio

Cost to revenue (Like-for-like) 73.1% (2021: 67.7%)

## Lease Expiries





# SA PORTFOLIO: COMMERCIAL

Value of South African portfolio

**1.9%**

(2021: 2.1%)

