
TEXTON PROPERTY FUND LIMITED

Granted REIT status by the JSE
Incorporated in the Republic of South Africa
(Registration number 2005/019302/06)
Share code: TEX ISIN: ZAE000190542
("Texton" or "the Company")

OPERATIONAL UPDATE AND IMPACT OF COVID-19

Further to the announcement dated 19 May 2020, Texton wishes to update shareholders of the impact of the COVID-19 pandemic on Texton's operations.

1. OPERATIONS

Texton's property portfolio is split between the United Kingdom and South Africa, with sector exposures to Commercial (50.6%), Industrial (33.3%) and Retail (16.1%).

South Africa went into hard lockdown on 27 March 2020, and we have seen the progressive easing of restrictions rolled out in South Africa with the most recent legislation announced on Wednesday, 17 June 2020. The impact of the lockdown on the South African economy has been devastating, and the Minister of Finance expects the economy to contract by 7.2% in 2020, being the largest contraction in nearly 90 years.

The United Kingdom issued lockdown restrictions on 23 March 2020, and while these were less limiting compared to those implemented in South Africa, they still have had a considerable impact on the United Kingdom's economy.

Texton's management has placed a significant amount of time engaging with our tenant base to find a financially sustainable solution which is mutually beneficial to both Texton and our shareholders. Through this engagement we managed to collect over 85% of total billings for the months of April and May 2020 and as at the date of this announcement, 77% of our June 2020 billings in South Africa have been collected. In the United Kingdom (in our wholly-owned portfolio) we have collected 97% for the 2nd quarter ending June 2020.

2. LEASING

Texton's largest asset in South Africa is the Foretrust building, located on the Foreshore in Cape Town. The property is let to the Department of Public Works & Infrastructure and has been subject to lease renewal for some time now. Texton wishes to announce that we have completed the renewal of the lease on the following basis.

- Tenant: Department of Public Works & Infrastructure
- Size: 24 087m²
- Rental: R140/m²
- Term: 5 years
- Commencement Date: 1 October 2020
- Parking: 145 covered bays at R1250 per bay, per month
- Annual Escalation: 6%

The new lease represents a reversion of 31.8% from the current rental of R184/m².

3. ASSET DISPOSALS

Our asset disposal program has been successful, and we are in the process of completing circa R180 million worth of asset sales over the next four months. These disposals, which are classified as

Category 2 transactions in terms of the Listings Requirements of JSE Limited, have been announced on SENS, and we will update the market as and when these disposals become unconditional.

4. BALANCE SHEET MANAGEMENT

Texton is focused on strengthening its balance sheet, through the sale of non-core assets and the reduction of debt. Texton's loan-to-value ratio ("LTV") was 44.9% as at the last reporting date of 31 December 2019 and since this date has paid a further circa R70 million into our banking facilities to reduce borrowings in South Africa.

As communicated in our announcement dated 19 May 2020, we have made significant progress with the restructuring of our UK and SA debt and we wish to update the market.

Our UK debt was fully refinanced, and we have obtained a £32 million five-year facility with HSBC at a margin of 2.25% above LIBOR. The margin decreases to 2.10% when the LTV on the portfolio reduces to 55%, which is expected to be completed by December 2020. The increased maturity and improved covenants will further improve the sustainability of our UK portfolio. We have accordingly notified shareholders, in compliance with s45(5) of the Companies Act, 2008 (Act 71 of 2008), as amended, informing them of the financial assistance approved by the board.

In South Africa, we have agreed terms with Standard Bank for the refinancing of our debt which expires in the near term. The terms have been agreed and approved with the legal documentation now being finalised.

The total facility refinanced amounts to R930 million. Texton expects to further reduce the Standard Bank facility with proceeds from the asset disposal program.

As part of our balance sheet management, Texton closed out a cross-currency interest rate derivative in April 2020, which has resulted in reducing Texton's currency risk and further de-leveraging its balance sheet.

5. OUTLOOK

Texton, through the initiatives outlined above, has so far been able to withstand the significant and unprecedented economic deterioration in both South Africa and the United Kingdom. However, the environment in which we find ourselves is still very fluid and it is difficult to quantify what the effect of the pandemic will have on our business.

Texton expects to announce its year-end financial results on or about 23 September 2020.

Johannesburg
26 June 2020

Sponsor
Merchantec Capital