




**TEXTON**  
PROPERTY FUND

# YEAR-END RESULTS PRESENTATION

30 JUNE 2020



COMPANY  
OVERVIEW

TEXTON  
PROPERTY FUND

# 2020 HEADLINES

## South Africa

- Challenging macros exacerbated by Covid-19
- Increase in vacancy to **12,7%**
- **90%** of expiring GLA re-let
- **90%** collection rate during Covid-19 lockdown
- **9** properties sold

## United Kingdom

- **97%** collection rate during Covid-19 lockdown
- **100%** of wholly owned portfolio is let
- Weight average lease expiry profile of **9,23** years
- Sale of Tesco Chobe as portfolio is being repositioned towards industrial and logistics

## Broad Street Mall

- **Refinanced debt** in the joint venture
- Planning consent achieved for the development of **422** residential flats
- Asset is being successfully repositioned as a **mixed-used property**
- Major asset management initiatives underway to enhance the earnings of the assets

## Balance sheet management

- Improved LTV to **46,2%** as **R400m** of debt was repaid
- De-risked the foreign exchange risk by the close of the CCIRS and conversion of GBP debt to ZAR
- Restructured **100%** of Standard Bank debt
- Early refinance of **100%** of UK debt
- No breach of covenant requirements

# COVID-19 REACTION



## Employees

- No retrenchments
- No salary cuts
- Board decreased salaries and fees by 30%



## Tenants

- Rental relief to provided tenants in the form of discounts and deferrals
- Relief was considered on a case by case basis to support liquidity needs



## Suppliers

- Continued to support our suppliers, many of whom are SMMEs
- Negotiated mutually beneficial terms with suppliers to ensure sustainability



## Working capital management

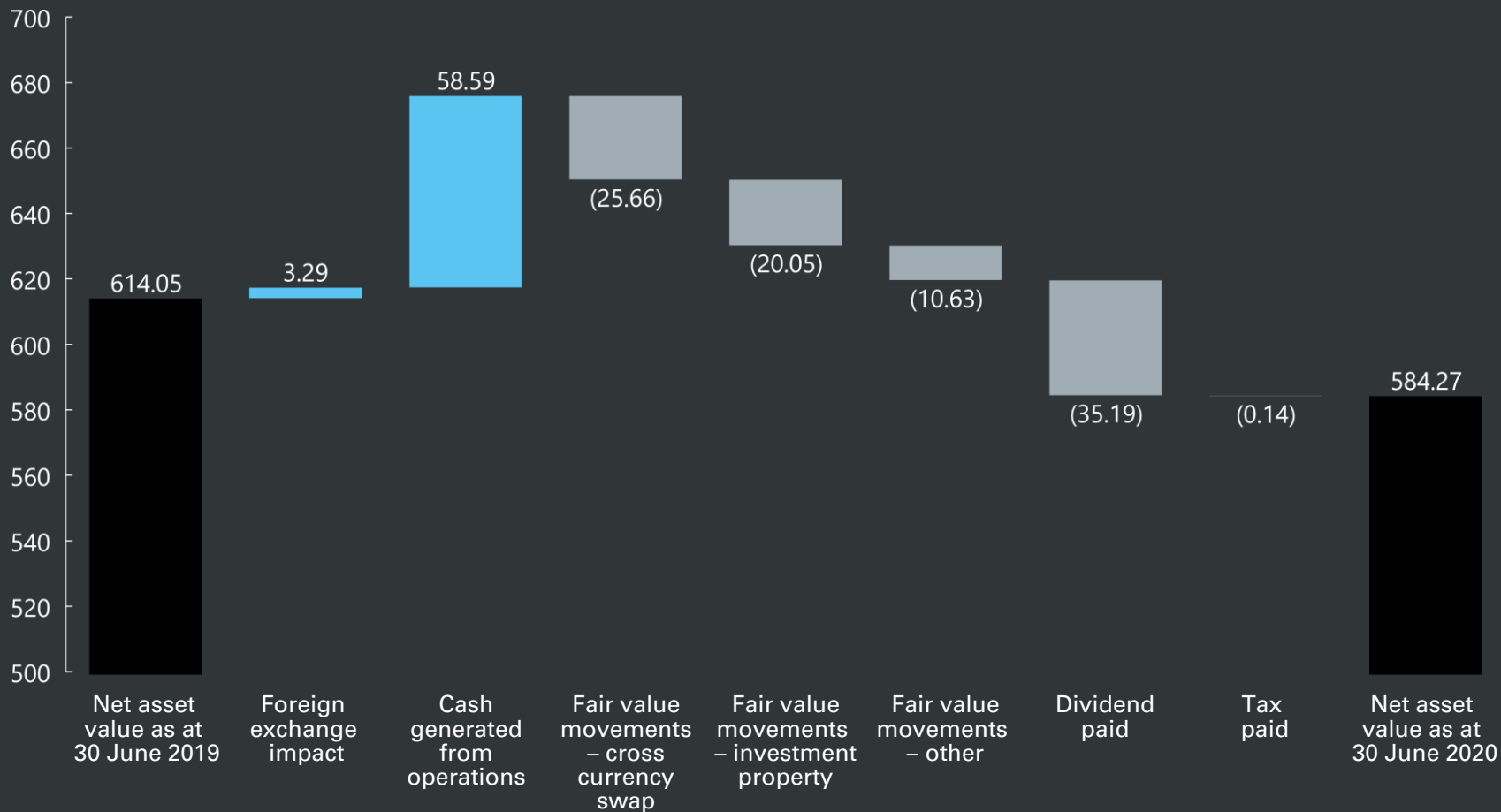
- Cancellation of interim dividend
- Proactive collections approach
- Deferral of non-essential spend
- Cost saving initiatives intensified

# DISTRIBUTABLE EARNINGS AND DIVIDEND

	30 Jun 2020 R'000	30 Jun 2019 R'000	Variance
Revenue	<b>521 905</b>	558 025	-6,5%
Impairment losses recognised on tenant debtors	<b>(27 595)</b>	1 408	-2 059,9%
Property expenses	<b>(183 780)</b>	(193 337)	4,9%
Profit/(Loss) from joint venture	<b>34 711</b>	(1 158)	3 097,5%
Non-cash items included in loss from joint venture	<b>(34 711)</b>	11 166	-410,9%
Other income	<b>4 715</b>	11 000	-57,1%
Administrative expenses	<b>(38 022)</b>	(34 223)	-11,1%
Net finance cost	<b>(83 111)</b>	(93 663)	-11,3%
- Finance income	<b>85 780</b>	90 535	-5,3%
- Finance cost	<b>(168 891)</b>	(184 198)	-8,3%
Taxation – pre payout ratio adjustment	<b>(29 803)</b>	(18 131)	-64,4%
Distribution of realised foreign exchange gain	<b>(47 496)</b>	8 272	-674,2%
Distributable earnings on treasury shares	<b>8 175</b>	19 036	-57,1%
Distributable earnings	<b>124 988</b>	268 395	-53,4%
Number of shares in issue at year end	<b>376 066 766</b>	376 066 766	

The decision regarding the declaration of the dividend has been deferred by the board  
Current deadline of 31 December 2020 – 6 months post year-end

# NET ASSET VALUE



# SA PORTFOLIO OVERVIEW



## Office



178 077m<sup>2</sup>

36

R1.9bn

12,5%

3.31

## Retail



32 547m<sup>2</sup>

3

R366m

13,0%

2.82

## Industrial



74 684m<sup>2</sup>

5

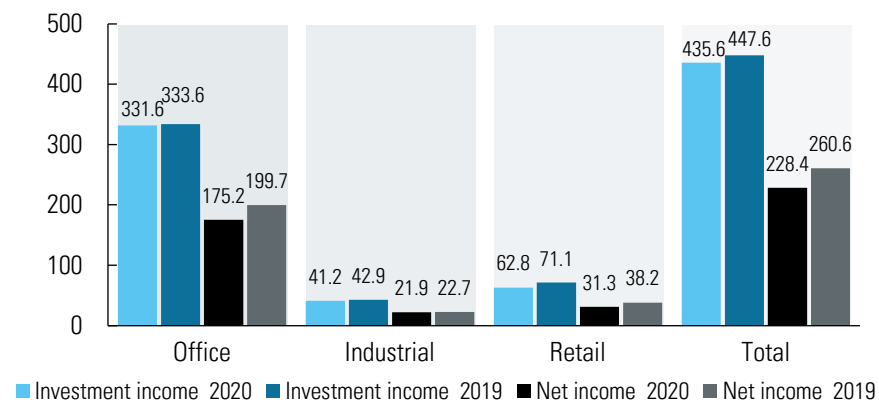
R216m

13,2%

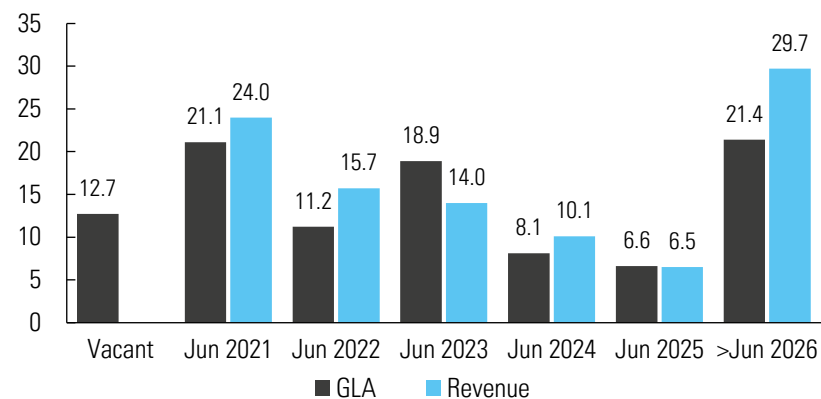
3.41

# SOUTH AFRICA PERFORMANCE

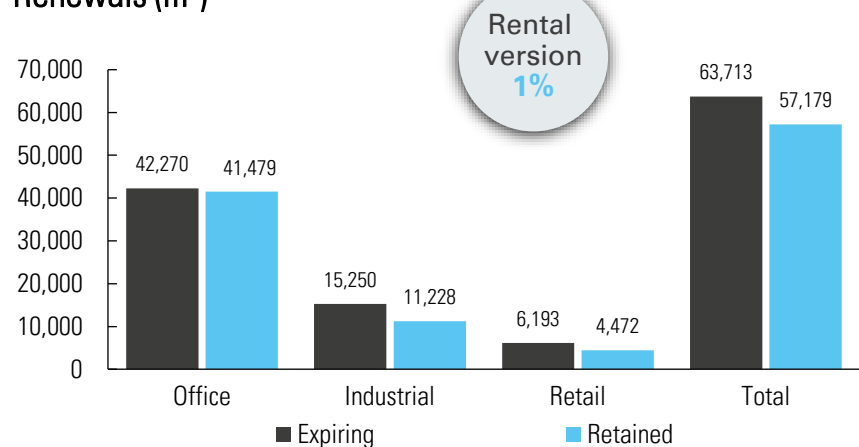
### NOI breakdown (Rm)



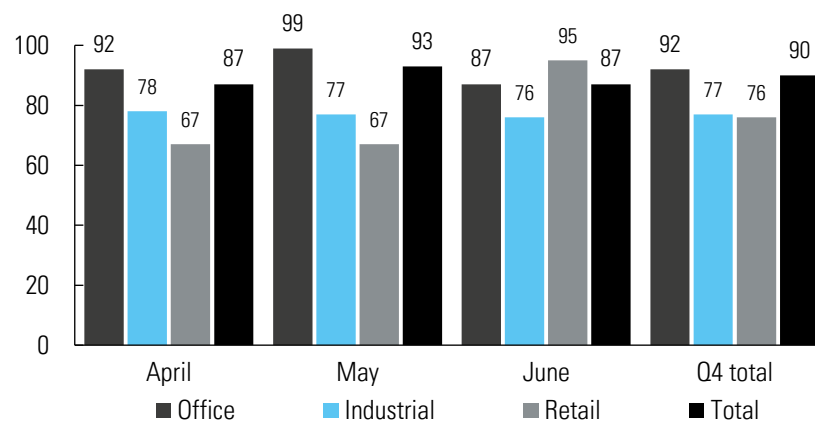
### South African lease expiry profile (%)



### Renewals (m<sup>2</sup>)



### Covid-19 collections (%)





# UK PORTFOLIO OVERVIEW



## Office



5 360m<sup>2</sup>

1

£8.77m

0%

6,41

## Retail



7 991m<sup>2</sup>

3

£14.08m

0%

8,03

## Industrial



47 283m<sup>2</sup>

4

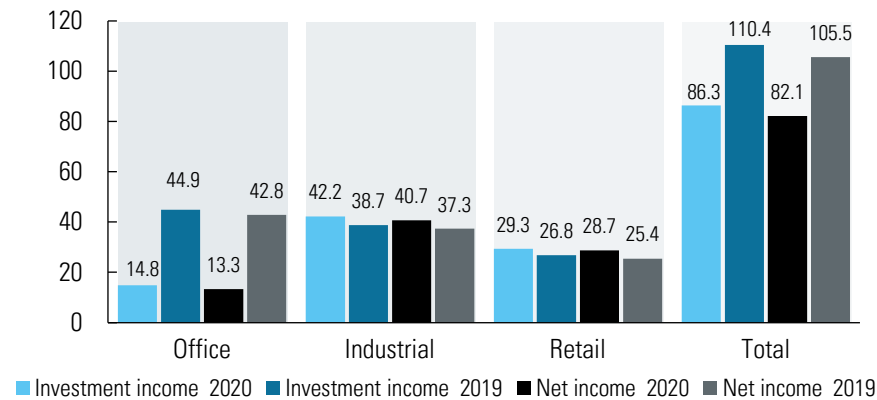
£35.44m

0%

10,16

# UNITED KINGDOM (WHOLLY OWNED) PERFORMANCE

NOI breakdown (Rm)



UK lease expiry profile (%)



Portfolio  
repositioned to  
**60.8%**  
Industrial and  
Logistics

Collection  
rate during  
Covid-19  
period  
**97%**

# UK PORTFOLIO – BROAD STREET MALL 50% OVERVIEW

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## Office



3 531m<sup>2</sup>

2\*

£16.5m

10.26%

7.25

## Retail



14 884m<sup>2</sup>

1

£37.62m

10.81%

8.01

## Residential



-

422  
flats#

£10.36m

-

-

## Hotel



-

101  
bedrooms#

£2.24m

-

-

\* Office blocks – Fountain House and Quadrant House | # development rights

# BROAD STREET MALL HEADLINES

## Shopping center

- **77,0%** and **71,2%** of invoiced rental received for Q2 and Q3 respectively. UK average of 56%
- 2 retail casualties as a result of pandemic
- Major letting deals done on cinema and food hall
- Lease with anchor tenant extended for further 10 years

## Office

- Major letting deal with Co-space (serviced offices)
- 10-year lease
- Serviced office which is due to open Oct 2020

## Residential

- Planning consistent achieved for the development of **422** residential flats

## Hotel

- Funding was impacted by Covid-19 as forward funding was gated
- Revised offer received from major UK institutional fund
- Construction contract negotiated
- Planning consent cleared down

# UPDATE ON PROPERTY DISPOSALS

	R'000	Number of properties
Transferred	20 000	2
Unconditional	154 500	5
Under offer	135 604	5
Marketing for sale	291 189	4
<b>Total</b>	<b>601 293</b>	<b>16</b>

# FINANCIAL SUMMARY

**TEXTON**  
PROPERTY FUND



# STATEMENT OF FINANCIAL POSITION

**TEXTON**  
PROPERTY FUND

	30 Jun 2020 R'000	30 Jun 2019 R'000
<b>Assets</b>		
<b>Non-current assets</b>	<b>3 416 932</b>	3 578 646
Investment property	<b>3 149 057</b>	3 291 916
Property, plant and equipment	<b>3 236</b>	1 911
Tenant Installation	<b>6 089</b>	11 448
Investment in joint venture	<b>252 272</b>	206 094
Other non-current assets	<b>6 278</b>	9 789
Other financial assets	-	57 488
Restricted cash	-	-
<b>Current assets</b>	<b>189 865</b>	381 915
Restricted cash	-	12 782
Trade and other receivables	<b>44 223</b>	43 920
Other financial assets	-	-
Income tax receivable	<b>3 451</b>	1 228
Cash and cash equivalents	<b>142 191</b>	323 985
Investment property held for sale	<b>601 293</b>	529 523
<b>Total assets</b>	<b>4 208 090</b>	4 490 084
<b>Equity and liabilities</b>		
<b>Equity</b>	<b>1 972 740</b>	2 123 952
Stated capital	<b>2 842 473</b>	2 842 473
Retained earnings	<b>(758 095)</b>	(504 642)
Foreign currency translation reserve	<b>(111 638)</b>	(213 879)
<b>Liabilities</b>	<b>2 235 350</b>	2 366 132
<b>Non-current liabilities</b>	<b>1 642 388</b>	545 930
Other financial liabilities	<b>1 626 382</b>	535 301
Lease liability	<b>3 252</b>	3 326
Interest rate swap	-	-
Deferred tax	<b>12 754</b>	7 303
<b>Current liabilities</b>	<b>592 962</b>	1 820 202
Other financial liabilities	<b>456 440</b>	1 720 475
Trade and other payables	<b>107 924</b>	90 318
Income tax payable	<b>28 598</b>	9 409
<b>Total equity and liabilities</b>	<b>4 208 090</b>	4 490 084

# VALUATIONS

	% of portfolio	2020	2019	Change	% change
SA internally valued	37,4%	<b>934 700</b>	977 100	(42 400)	-4,3%
SA externally valued	49,5%	<b>1 234 800</b>	1 213 000	21 800	1,8%
SA properties held for sale	13,1%	<b>326 492</b>	373 900	(47 408)	-12,7%
<b>Total SA properties</b>	100,0%	<b>2 495 992</b>	2 564 000	(68 008)	-2,7%
UK internally valued	46,9%	<b>587 906</b>	492 673	95 233	19,3%
UK externally valued	31,2%	<b>391 650</b>	324 280	67 371	20,8%
UK properties held for sale	21,9%	<b>274 801</b>	430 264	(155 463)	-36,1%
<b>Total UK properties</b>	100,0%	<b>1 254 357</b>	1 247 216	7 141	0,6%
Total properties internally valued	40,6%	<b>1 522 606</b>	1 469 773	52 833	3,6%
Total properties externally valued	43,4%	<b>1 626 450</b>	1 537 280	89 171	5,8%
Total properties held for sale	16,0%	<b>601 293</b>	804 164	(202 871)	-25,2%
<b>Total properties</b>	100,0%	<b>3 750 349</b>	3 811 216	(60 867)	-1,6%



# DEBT MATURITY PROFILE AND GROUP BORROWINGS

Debt maturity profile	South Africa		United Kingdom		Total	
	Value R'000	% expiring	Value R'000	% expiring	Value R'000	% expiring
2021	<b>281 594</b>	25%	<b>161 394</b>	19%	<b>442 986</b>	22%
2022	<b>149 130</b>	13%			<b>149 130</b>	7%
2023	<b>702 271</b>	62%			<b>702 271</b>	35%
2024					-	
2025			<b>702 969</b>	81%	<b>702 969</b>	35%
<b>Total</b>	<b>1 132 993</b>	100%	<b>864 364</b>	100%	<b>1 997 357</b>	100%

Group borrowings	ZAR facilities (Rm)	GBP facilities (£m)	Total facilities (Rm)
Total debt drawn	1 132,9	40,2	<b>1 997,4</b>
Net debt	1 052,9	37,5	<b>1 858,8</b>
Subject to fix rates	995,0	29,8	<b>1 636,7</b>
% hedged on net debt	94,6%	79,4%	<b>88,1%</b>
Effective interest rate	9,4%	2,9%	<b>6,6%</b>
Weighted average expiry – years	2,2	4,2	<b>3,1</b>

# TREASURY AND HEDGING SUMMARY

Cross currency interest rate swap

<b>Expiry</b>	<b>R'000</b>	<b>GBP'000</b>
02 Sep 2021	<b>600 000</b>	30 801

## Interest rate swaps

### South Africa

<b>Funder</b>	<b>Nominal amount (R'000)</b>	<b>Maturity date</b>	<b>Swap rate</b>	<b>Swap reference</b>
Standard Bank	<b>225 000</b>	May 2021	7,40%	3M JIBAR
Standard Bank	<b>200 000</b>	Nov 2020	7,19%	3M JIBAR
Standard Bank	<b>270 000</b>	Jun 2021	7,82%	3M JIBAR
Investec	<b>200 000</b>	Feb 2022	7,31%	3M JIBAR
Investec	<b>100 000</b>	May 2023	7,23%	3M JIBAR
Investec*	<b>100 000</b>	May 2023	7,39%	3M JIBAR
	<b>995 000</b>			

### United Kingdom

<b>Funder</b>	<b>Drawdown (GBP'000)</b>	<b>Maturity date</b>	<b>Swap rate</b>	<b>Swap reference</b>
HSBC	<b>10 200</b>	Aug 2021	0,495%	3M LIBOR
HSBC	<b>4 200</b>	Aug 2021	0,495%	3M LIBOR
HSBC	<b>5 910</b>	Aug 2021	0,495%	3M LIBOR
HSBC	<b>5 051</b>	Aug 2021	1,282%	3M LIBOR
HSBC	<b>4 458</b>	Aug 2021	1,282%	3M LIBOR
	<b>29 819</b>			

\* Effective 24 May 2021

# NET PROPERTY INCOME PER GEOGRAPHIC SEGMENT

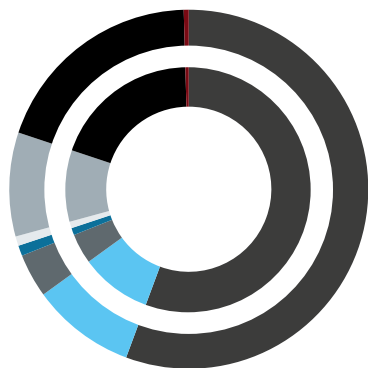
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	South Africa			United Kingdom			Total		
	Jun 2020 R'000	Jun 2019 R'000	% change	Jun 2020 R'000	Jun 2019 R'000	% change	Jun 2020 R'000	Jun 2019 R'000	% change
Contractual revenue	<b>338 931</b>	349 469	-3,0%	<b>86 320</b>	110 427	-21,8%	<b>425 251</b>	459 896	-7,5%
Recoveries	<b>96 654</b>	98 129	-1,5%	-	-	-	<b>96 654</b>	98 129	-1,5%
Investment property income	<b>435 585</b>	447 598	-2,7%	<b>86 320</b>	110 427	-21,8%	<b>521 905</b>	558 025	-6,5%
Property expenses	<b>(207 174)</b>	(185 543)	11,7%	<b>(4 201)</b>	(4 881)	-13,9%	<b>(211 375)</b>	(190 424)	11,0%
Net property income	<b>228 411</b>	262 055	-12,8%	<b>82 119</b>	105 546	-22,2%	<b>310 530</b>	367 601	-15,5%
Gross expense ratio	<b>47,6%</b>	41,8%	13,8%	<b>4,9%</b>	4,4%	10,1%	<b>40,5%</b>	34,1%	18,7%
Net expense ratio	<b>32,7%</b>	25,0%	30,7%	<b>4,9%</b>	4,4%	10,1%	<b>27,1%</b>	20,1%	34,8%
Net expense ratio (ex-provision for bad debt)	<b>24,5%</b>	25,4%	-3,7%	<b>4,9%</b>	4,4%	7,6%	<b>20,5%</b>	20,4%	0,5%

# APPENDICES

# CONSOLIDATED PORTFOLIO AT A GLANCE

Geographical spread by GLA



Geographical spread by value



Sector split by GLA



Sector split by value



■ Gauteng	221 298m <sup>2</sup>
■ Western Cape	37 189m <sup>2</sup>
■ Kwa-Zulu-Natal	15 670m <sup>2</sup>
■ North West	3 720m <sup>2</sup>
■ Eastern Cape	4 027m <sup>2</sup>
■ Free State	3 404m <sup>2</sup>
■ England	77 258m <sup>2</sup>
■ Wales	1 789m <sup>2</sup>

■ Gauteng	R1 815m
■ Western Cape	R445m
■ Kwa-Zulu-Natal	R149m
■ North West	R9m
■ Eastern Cape	R38m
■ Free State	R46m
■ England	R1 583m
■ Wales	R392m

■ Office	183 437m <sup>2</sup>
■ Retail	58 952m <sup>2</sup>
■ Industrial	121 967m <sup>2</sup>

■ Office	R1 960m
■ Retail	R1 738m
■ Industrial	R777m

	Jun 2020	Jun 2019
Property portfolio value*	<b>R4 476m</b>	R4 400m
Number of properties	<b>53</b>	55
Number of tenants	<b>361</b>	377
Total GLA (m <sup>2</sup> )	<b>364 356m<sup>2</sup></b>	376 054m <sup>2</sup>
Vacancy (%)	<b>11,04%</b>	9,20%
Vacancy (m <sup>2</sup> )	<b>40 242m<sup>2</sup></b>	<b>34 516m<sup>2</sup></b>

\* Includes Broad Street Mall

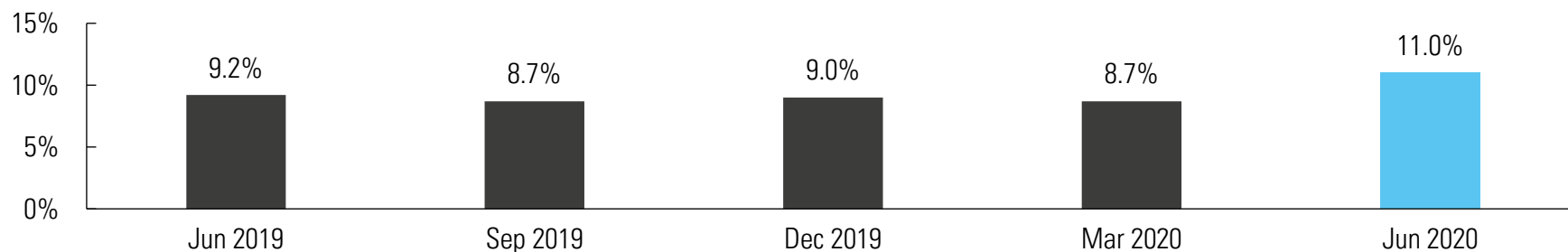
# STATEMENT OF COMPREHENSIVE INCOME

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PROPERTY FUND

	30 Jun 2020 R'000	30 Jun 2019 R'000
Investment property income	521 905	558 025
Straight line rental adjustment	(2 720)	(2 360)
<b>Revenue</b>	<b>519 185</b>	555 665
Impairment losses recognised on tenant debtors	(27 595)	1 505
Property expenses	(183 780)	(193 434)
Total property expenses	(211 375)	(191 929)
<b>Net property income</b>	<b>307 810</b>	363 736
Other income	4 715	11 000
Administrative expenses	(39 552)	(34 223)
Profit/(Loss) from joint venture	34 711	(1 158)
Foreign exchange losses	(90 732)	(505)
<b>Operating profit</b>	<b>216 952</b>	338 850
Finance income	85 780	90 535
Finance costs	(168 891)	(184 198)
Fair value adjustments	(195 319)	(699 524)
Loss on disposal of subsidiary	-	(9 041)
Impairment of investment in joint venture	-	(30 418)
Capital items	-	(14 350)
<b>Loss before tax</b>	<b>(61 478)</b>	(508 146)
Taxation expense	(69 023)	(29 792)
<b>Loss for the period</b>	<b>(130 501)</b>	(537 938)

# VACANCY PROFILE

	Overall	Office	Retail	Industrial
June 2020	<b>11,0%</b>	6,1%	2,3%	2,7%
March 2020	<b>8,7%</b>	6,3%	1,6%	0,7%
December 2019	<b>9,0%</b>	12,7%	11,3%	2,4%
September 2019	<b>8,7%</b>	12,2%	12,2%	3,8%
June 2019	<b>9,2%</b>	10,7%	10,7%	4,6%



# KEY METRICS

	<b>30 Jun 2020 R'000</b>	30 Jun 2019 R'000	Variance
Tenant retention	<b>90.50%</b>	80,80%	9,7%
Vacancy rate	<b>11,04%</b>	9,20%	-1,8%
Loan to Value ^	<b>46,20%</b>	47,20%	-1,0%
Value R'000	<b>4 022 110</b>	4 064 689	-1,0%
Loan value R'000	<b>1 855 164</b>	1 917 228	-3,2%
Net asset value cents per share	<b>584.27</b>	614,05	-4,8%
Lease expiry profile years	<b>4,49</b>	4,36	0,13

<sup>^</sup> Calculated in line with BPR and the prior year has been recalculated on the same basis.



# QUESTIONS

[WWW.TEXTON.CO.ZA](http://WWW.TEXTON.CO.ZA)

**TEXTON**  
PROPERTY FUND

