

ARROWHEAD PROPERTIES LIMITED
(formerly Gemgrow Properties Limited)
Incorporated in the Republic of South Africa)
(Registration number 2007/032604/06)
JSE share code: AHA ISIN: ZAE000275491
JSE share code: AHB ISIN: ZAE000275509
(Granted REIT status with the JSE)
("Arrowhead" or "the Company" or "the Group")

IMPACT OF COVID-19, DEFERRAL OF INTERIM DIVIDEND AND WITHDRAWAL OF GUIDANCE

Arrowhead supports the action taken by the South African government to limit the spread of Covid-19 and to safeguard the health of all South Africans. We are committed to playing our part in ensuring the health and safety of all our stakeholders, including members of staff, tenants and service providers.

The potential impact of Covid-19 on the business remains uncertain. We live in a time where change is constant, and the Arrowhead board of directors ("**the board**") continues to monitor the situation closely. This announcement provides an update of the potential impact of the Covid-19 pandemic on Arrowhead.

Operational update

The Arrowhead property portfolio is a well-diversified South African portfolio, comprising 48% retail properties, 34% office properties and 18% industrial properties by revenue.

Since the start of the lockdown some tenants, classified as providing essential services, have remained fully operational. Others have been required to shut down their businesses. At the same time, we have continued to pay our service providers, ensuring that premises remain clean, safe and operational throughout the lockdown, so that there will be little or no disruption to tenants once the lockdown is lifted.

As at the date of this announcement, more than 65% of our April 2020 total billings has been collected. Our standard lease agreements do not allow tenants to withhold rental income and we welcome President Ramaphosa's appeal to large businesses to continue paying their rental commitments. The Company wishes to thank those tenants who have continued to pay rental and utilities making the continued servicing of premises possible. We continue to actively engage with all our tenants on the impact of Covid-19 on their businesses and to find a financially sustainable and commercially realistic treatment to outstanding collections for both our tenants in need as well as Arrowhead.

Balance sheet management

Arrowhead's recent focus on strengthening its balance sheet, through the sale of non-core assets and the reduction of debt, means the Company is well positioned to navigate the current challenges.

We indicated in our pre-close investor update (released on 16 March 2020) that the Group loan to value ratio ("**LTV**") at the end of March 2020 was expected to be around 41.5%. Notwithstanding the further devaluation of listed investments since the date of that announcement, we anticipate the March 2020 LTV to be marginally better than 41.5%, with an interest cover ratio for the six months of approximately 2.85. These are both well within our current covenants. The Group has no exposure to the Bond market. The Group's percentage of hedged debt at the end of March 2020 was 82% (87% without Indluplace Properties Limited ("**Indluplace**")), with cash on hand (including undrawn facilities) in excess of R280 million and R400 million if one includes cash from Indluplace.

Update on sales

In our pre-close update, we reported concluded sales of 42 non-core assets valued at R913 million. One sale has fallen through as a result of conditions precedent that were not fulfilled. As a result, consolidated sales now comprise 41 properties with a value of R813 million at a 10.3% forward yield and a 0.3% discount to book value. Of these disposals, 20 properties valued at R369 million have since transferred with the remaining 21 properties valued at R444 million pending transfer.

Interim dividend, withdrawal of guidance and dividend policy

The board believes that, given the current unprecedented circumstances and prevailing uncertainty, it is important that Arrowhead retain as much capital as possible to protect its balance sheet and bolster liquidity. Accordingly, the board has resolved to defer the decision on the payment of an interim dividend, for the six month period ended 31 March 2020, until the release of the financial results for the year ended 30 September 2020, expected to be on or about 25 November 2020. As a result of the same uncertainty, Arrowhead's dividend per share guidance for the year ended 30 September 2020 of 117 cents per Arrowhead A share and 66 cents per Arrowhead B share is withdrawn.

In the board's view, the current crisis confirms the importance of ensuring that Arrowhead is always able to meet its capital expenditure and other requirements, without increasing gearing or needing to dispose of assets, to ensure the long-term sustainability of the business. As a result, the board has resolved to revise its current dividend policy, which is to pay out 100% of distributable income, to a more sustainable pay-out ratio. This will be communicated once there is more certainty. The board is confident that this is in the best interest of the Company and stakeholders.

We will continue to update stakeholders on the anticipated impact on our business as circumstances change.

20 April 2020

Sponsor

The logo for Java Capital, featuring the word "JAVA" in a bold, blue, sans-serif font, followed by "CAPITAL" in a lighter, grey, sans-serif font. A thin blue line underlines the "JAVA" portion.