

HOSPITALITY PROPERTY FUND LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 2005/014211/06)

JSE share code: HPB ISIN: ZAE000214656

Bond company code: HPAI

(Approved as a REIT by the JSE)

("Hospitality" or the "Company" or the "Group")



TRADING STATEMENT FOR THE YEAR ENDED 31 MARCH 2020 AND VOLUNTARY UPDATE ON THE RESPONSE TO COVID-19

Trading statement

In terms of the Listings Requirements of the JSE Limited, property entities are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on, will differ by at least 15% from that of the previous corresponding period. Given the nature of its business, Hospitality uses dividend per share as its key performance measure.

Hospitality is currently in the process of finalizing its annual results for the year ended 31 March 2020. As communicated to shareholders in the SENS announcements of 20 March and 24 March 2020 on the impact of Covid-19, all capital expenditure has been placed on hold, with the exception of essential maintenance. In addition, Hospitality has implemented various cost savings measures and will continue to conserve its cash resources.

As a result, the board of directors of Hospitality have resolved not to declare a dividend for the six months ended 31 March 2020, meaning that no distribution will be released for the year-end results at 31 March 2020, although an interim dividend of 35.40 cents was paid in December 2019 (F2019: 105.39 cents per share for the 12 months ended 31 March 2019).

Hospitality's results for the year ended 31 March 2020, are expected to be published on SENS on 29 May 2020.

Property Portfolio

Hospitality's property portfolio, which comprises 54 hotel and resort properties in South Africa, was independently valued at R10.0 billion (FY2019: R12.2 billion) at 31 March 2020. The fair value is determined by discounting the rental income (based on forecasted net future cash flows of the underlying hotels) after considering capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate.

As a result of the uncertainty of future trading conditions, due to the impact of Covid-19 on the hospitality industry and the Fund's property portfolio, the forecasted rental income in FY2021 and FY2022 have been reduced. In addition the South African bond yield 10Y increased by 1.9 percentage points from 31 March 2019 (8.61%) to 31 March 2020 (10.51%). Hospitality had used a risk-free rate of 8.65% in 2019, compared to 10.50% in 2020, resulting in higher exit yields and higher discount rates across the portfolio. The result being a negative fair value adjustment of R2.5 billion on the fair value of the Fund's property portfolio after capex at 31 March 2020.

Covid-19 Update

The measures imposed by the South African Government to minimize the spread of Covid-19 will continue to have a significant negative economic impact on the hospitality industry and all other business sectors. Hospitality will continue to focus on safeguarding its cash in order to preserve the sustainability of our business and the people whose livelihoods depend on us. Shareholders are referred to the Trading update released by Tsogo Sun Hotels today for further details.

Shareholders will be provided with further updates as events unfold.

The financial information on which this trading statement is based has not been reviewed or audited by the Group's auditors.

21 May 2020

Sponsor



Debt Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)