

## Short-form announcement: Summarised consolidated financial results for the year ended 31 March 2020

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### FINANCIAL RESULTS

Hospitality's distributable earnings decreased by 14% for the year, mainly due to the impact of the Covid-19 virus in March 2020. Hotel occupancies decreased on the prior year by 2.5 percentage points ("pp") (or 4%) to 59%, primarily as a result of lower volumes in Gauteng. The average room rate ("ARR") is up by 3% on the prior year at R1 131, resulting in a 1% decline in revenue per available room ("RevPar") on the prior year.

Rental income at R768 million (2019: R828 million), is 7% down on the prior year, mainly due to the poor performance from the Gauteng hotels, falling 14% below the prior year.

Hospitality's rental income is subject to seasonal variability and the trading has been impacted by the macro-economic conditions and uncertainty, mainly as a result of the Covid-19 pandemic. The Fund's year-on-year expenses (excluding the transaction costs in the prior year) have decreased by R5 million or 9% predominantly due to payroll-related savings. Hospitality's expenses in the prior year include the transaction costs of R20 million relating to the unsuccessful casino acquisition. Net finance costs of R195 million (2019: R167 million) are higher than the prior year due to the acquisition of the Southern Sun Pretoria and due to the capital expenditure increasing borrowings, partially offset by the negotiated interest rates being lower on the current borrowings.

The following table reflects the operating financial results for the year ended 31 March 2020 compared to the prior year ended 31 March 2019:

#### SUMMARY OF OPERATING RESULTS AS AT MARCH 2020

	Actual March 2020 R'000	Actual March 2019 R'000	Variance on March 2019 R'000	Variance on March 2019 %
Contractual revenue	767 695	827 631	(59 936)	(7)
Sundry income	577	1 112	(535)	(48)
Fund expenses <sup>1</sup>	(51 112)	(56 262)	5 150	(9)
Net finance cost	(195 440)	(166 988)	(28 452)	17
Income from associates	208	720	(512)	(71)
<b>Distributable earnings</b>	<b>521 928</b>	<b>606 213</b>	<b>(84 285)</b>	<b>(14)</b>
<b>No par value ordinary shares</b>	<b>578 154</b>	<b>575 777</b>	<b>2 377</b>	<b>-</b>
Distribution comparative to prior years				
Interim dividend	35.40	41.22	(5.82)	(14)
Final dividend per share	-	64.17	(64.17)	(100)
<b>Combined distribution</b>	<b>35.40</b>	<b>105.39</b>	<b>(69.99)</b>	<b>(66)</b>

<sup>1</sup> Fund expenses in the prior year exclude the exceptional transaction costs of R19 834.

### PROPERTY PORTFOLIO

The Fund's portfolio includes 54 hotel and resort properties in South Africa. The Fund's property portfolio was independently valued at R10 billion (2019: R12 billion) at 31 March 2020. The fair value is determined by discounting the rental income (based on expected net future cash flows of the underlying hotels) after considering capital expenditure requirements. The expected cash flows are discounted using an appropriate discount rate.

The impact of Covid-19 and the associated impact on the hospitality industry has had a significant impact on the expected future cash flows of hotels at 31 March 2020. Due to the uncertainty of future trading conditions, the forecasts in year one and two have been reduced. The South African bond yield 10Y increased by 1.9 percentage points from 31 March 2019 (8.61%) to 31 March 2020 (10.51%).

### SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the board of directors of Hospitality. This short-form announcement is a summary of the full announcement released on SENS on 29 May 2020 and does not include full or complete details. The information contained in this announcement has not been reviewed or reported on by the company's auditors.

The full announcement is available on the company's website [www.hpf.co.za/investors/financial-reports/interim-final-results/2020](http://www.hpf.co.za/investors/financial-reports/interim-final-results/2020) and can also be accessed using the following JSE link: <https://senspdf.jse.co.za/documents/2020/jse/isse/HPBE/HPF2020AFS.pdf>

A copy of the full announcement may be requested from Palazzo Towers West, Montecasino Boulevard, Fourways, Gauteng, 2055 or the sponsor, Java Capital at [sponsor@javacapital.co.za](mailto:sponsor@javacapital.co.za). Any investment decisions by shareholders should be based on a consideration of the full announcement, which shareholders are encouraged to view on SENS and on the company's website.

The consolidated annual financial statements have been audited by the company's auditors, PricewaterhouseCoopers Inc., who expressed an unmodified audit opinion thereon. The auditor's opinion also includes communication of key audit matters. This opinion is available, along with the consolidated annual financial statements, on the company's website [www.hpf.co.za/investors/financial-reports/interim-final-results/2020](http://www.hpf.co.za/investors/financial-reports/interim-final-results/2020).

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 capital expenditure at 31 March 2020.

The weighted average lease expiry period is 13.3 years. As at 31 March 2020, the carrying amount of the portfolio was R10 billion and the net asset value ("NAV") per ordinary share amounted to R13.27.

### FUNDING

Hospitality's debt facilities with financial institutions as at 31 March 2020 amounted to R2.95 billion and the total drawn down facilities amounted to R2.55 billion, resulting in a loan-to-value ("LTV") ratio (total interest-bearing liabilities/investment properties plus properties held for sale) of 26% (2019: 16%).

The interest-cover ratio (earnings before interest, depreciation, tax and amortisation/net finance costs) of 3.7 times (2019: 4.5 times) for the 12 months rolling to March 2020, is well above the required debt covenant minimum of 2.0 times. The weighted average cost of net debt to 31 March 2020 is 9.1%.

A corporate bond (HPF12) of R300 million was issued in April 2019 to refinance the maturing corporate bonds (HPF08 and HPF09) and to fund capital expenditure.

A corporate bond (HPF13) of R800 million was issued in December 2019 to refinance bank term funding of R550 million, as well as to fund the acquisition of Southern Sun Pretoria.

A further revolving credit facility of R250 million was raised through Nedbank and the maturity date of the Standard Bank revolving credit facility of R500 million was extended by a further three years. The Fund has no facilities that are repayable within the next 12 months and the average maturity profile of the Fund's facilities is 3.20 years, global credit ratings maintained the Fund's long-term credit rating at A- (ZA) and revised its short-term credit rating to A2 (ZA).

### PROSPECTS

Hotel trading is expected to remain under pressure until the outlook on the South African economy improves. The impact of the Covid-19 pandemic is still unknown but is expected to have a longer-term effect on the industry. The Fund's gearing is at a reasonable level of 26%. Hospitality is conserving its cash resources and has implemented actions to reduce costs where possible. All capital expenditure has been postponed and only essential maintenance will endure. Hospitality will not declare a final dividend for the year ended 31 March 2020 and may review this decision once there is more certainty around the impact of the Covid-19 pandemic.

### PRESENTATION

Shareholders are advised that a presentation that provides additional analysis and information, will be available on the company's website at [www.hpf.co.za/investors/presentations/2020](http://www.hpf.co.za/investors/presentations/2020) from 29 May 2020.

28 May 2020

### 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 Fund")

**Sponsor:** Java Capital **Debt sponsor:** Rand Merchant Bank a division of FirstRand Bank Limited

**Income tax reference number:** 9770/799/1/47