



## Reviewed preliminary results for the year ended 31 March 2020

### Financial performance

Total revenue for the period increased from R2.8 billion as at 31 March 2019 to R3.4 billion at 31 March 2020.

Headline earnings per share amounted to 116.92 cents per share (31 March 2019: 123.04 cents per share). Profit available for distribution increased from R1 690 million as at 31 March 2019, to R1 791 million at 31 March 2020. On a per share basis, this represents a 3.2% increase in distributable earnings per share, from 181.48 cents per share for the year ended 31 March 2019 to 187.25 cents per share for the year ended 31 March 2020. Cash flow from operating activities comfortably covered the dividend to be paid for the period under review. Earnings per share for the year ended 31 March 2020 amounted to -10.81 cents per share (31 March 2019: 199.05 cents per share). The decrease in earnings per share was primarily due to a downward fair value adjustment to investment property and listed investments. The group's net asset value per share at 31 March 2020 equated to 1 834 cents per share, down from 2 026 cents per share at 31 March 2019.

The group's direct property investments were valued at R35.7 billion at 31 March 2020 (31 March 2019: R29.7 billion) located in South Africa, Namibia and Spain.

The value of listed investments at 31 March 2020 was R2.10 billion (31 March 2019: R2.6 billion). Listed investments comprise investments in Atlantic Leaf Properties, Fairvest Properties Limited and Arrowhead Properties Limited.

### Prospects for the group

The initial phase of the COVID-19 crisis had a negative impact on the markets in general and the property sector in particular. Sentiment towards Vukile was also impacted by our specialist focus on the hard-hit retail sector and exposure to Spain, which was one of the first countries to be severely affected by the rapid spread of the disease and resultant lockdown of the economy.

While the Spanish economy will be hard hit in 2020, along with the global economy, current forecasts anticipate a strong rebound in 2021. Spain is a key European economy underpinned by strong fundamentals providing Vukile shareholders with a very good element of diversification into a country with a healthy structural retail real estate environment. In particular, Castellana's geographically diversified portfolio and high-quality tenant profile made up of 93% international and national tenants should provide a very solid recovery platform.

In South Africa, the economy will not only have to deal with the impact of the pandemic but also the effects of the credit downgrade in March and concomitant weakening of the Rand. However, our South African portfolio remains very well positioned to recover swiftly given its very defensive positioning in the middle to lower-LSM markets, with a strong township and rural bias. The high level of tenants exposed to grocery and non-discretionary spend means that our centres have been trading at encouraging levels as the economy reopened on a phased approach.

The board and management have used this unique market crisis to critically evaluate Vukile's business model and remain committed to its stated strategy and focus.

The COVID-19 crisis has also shone the spotlight on the future of retail along with other real estate asset classes. As predicted, it is very clear that the retail landscape will change and while we will continue to experience a rise in online shopping, quality retail centres will have a critical role in any economy as part of an ongoing evolution to a world of omnichannel retailing. The changes in retail must be embraced and both Vukile and Castellana are very well positioned to capitalise on an era of greater specialisation which is needed to thrive in the changing retail environment.

Vukile has the key ingredients to ensure that it continues to provide great spaces that meet customers' needs including by building great tenant relationships, increasing focus on customer centricity and the agility to adapt quickly. When deployed effectively, these elements translate into our nodally dominant centres being very profitable spaces for tenants to operate from.

Our balance sheet remains solid and the business is very cash generative with healthy interest cover ratios and the ability to comfortably meet all debt servicing requirements. Even though the LTV is currently higher than the preferred level, plans are in place to reduce it over time. Both Vukile and Castellana have enjoyed tremendous support from their well-diversified funding base, as evidenced by the large percentage of refinancing already completed for the 2021 financial year.

Looking ahead, Vukile does not anticipate paying an interim dividend in respect of the first half of the 2021 financial year and the board has made the decision not to provide earnings and dividend guidance for the full year. Vukile also intends to adopt a variable dividend payout ratio going forward and will no longer pay out 100% of distributable earnings to enable greater capital flexibility and cash retention.

Vukile remains very well positioned to navigate the current uncertain environment and ensure long-term sustainability for all stakeholders. Until such time as the broader impacts of the COVID-19 pandemic become clearer, our focus will continue to be on prioritising cash retention and balance sheet strength over short-term earnings.

### Payment of dividend

A decision in respect of the final dividend will be made once the JSE provides feedback to the market on any potential amendments or temporary rulings applicable to the REIT sector following the broad industry consultation process currently being undertaken. The decision regarding the final dividend will be communicated on or before the publication of Vukile's audited annual results.

### Review conclusion

These condensed consolidated financial statements for the year ended 31 March 2020 have been reviewed by PricewaterhouseCoopers Inc, who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the condensed consolidated financial statements, as identified in the auditor's report.

### About this announcement

This short-form announcement is the responsibility of the directors of the company. The announcement is only a summary of the full announcement, released on the JSE website at <https://senspdf.jse.co.za/documents/2020/jse/isse/vke/FY2020.pdf> on 30 June 2020, and does not contain full or complete details. Any investment decision by investors and/or shareholders should be based on consideration of the full announcement.

## HIGHLIGHTS

- > **3.2% increase** in distributable earnings per share
- > **Impressive retail performance in Spain**
  - Castellana dividend growth of 9.6%
  - Vacancies contained at 1.8%
  - Increase of 10.8% in reversions and new lettings
  - Maintaining a rent collection rate of 99%
- > **Continued strength in Southern African portfolio**
  - Like-for-like trading density grew by 3.4% and by 5.1% when considering asset management interventions
  - Successful launch of redeveloped Pine Crest Centre and Maluti Crescent
  - Retail vacancies contained at 2.9% with 84% retail tenant retention and positive reversions of 1.1%
  - Retail like-for-like net income growth of 6.0%
- > **Strong cash cover and well diversified sources of funding**
  - Vukile remains comfortably solvent and liquid
  - Complies with all funding and debt covenants
  - Interest cover ratio of 5.8 times
  - 77% (R1.8 billion) of FY21 maturing debt facilities successfully re-financed
- > **Operational focus in readying centres to reopen in a COVID-19 environment**
  - Primary focus on the health and wellbeing of our customers, tenants and staff
  - Hygiene protocols for centres developed with input from leading virologist and hygiene expert
  - Very successful reopening of all our centres in both South Africa and Spain

**VUKILE PROPERTY FUND LIMITED** (Incorporated in the Republic of South Africa) (Registration number 2002/027194/06) JSE share code: VKE  
ISIN: ZAE000056370 NSX share code: VKN Debt company code: VKEI  
(granted REIT status with the JSE) (Vukile or the group or the company) **Executive directors:** LG Rapp (chief executive), LR Cohen (chief financial officer), IU Mothibeli (managing director: Southern Africa), GS Moseneke **Non-executive directors:** NG Payne (Chairman), PS Moyanga, SF Booysen, RD Mokate, H Ntene, HM Serebro, B Ngonyama **Registered office:** 4th Floor, 104 Oxford Road, Houghton Estate, 2198 **Company secretary:** J Neethling **JSE sponsor:** Java Capital **NSX sponsor:** IJG Group, Windoek, Namibia **Transfer secretaries:** Link Market Services South Africa (Pty) Ltd, Braamfontein, Johannesburg **Investor relations:** Instinctif Partners, The Firs 302, 3rd Floor, Corner Craddock Avenue and Biermann Road, Rosebank, Johannesburg, South Africa, Tel: +27 11 447 3030 **Media relations:** Marketing Concepts, 10th Floor, Fredman Towers, 13 Fredman Drive, Sandton, Johannesburg, South Africa, Tel: +27 11 783 0700, Fax: +27 11 783 3702

The full announcement is available on the company's website (<https://www.vukile.co.za/investor-media/reports-results.php#null>) and may be requested by emailing Johann Neethling, at [Johann.Neethling@Vukile.co.za](mailto:Johann.Neethling@Vukile.co.za) from Tuesday, 30 June 2020 to Tuesday, 7 July 2020.

On behalf of the board

NG Payne  
Chairman

LG Rapp  
Chief executive officer

Houghton Estate  
30 June 2020