
OPERATIONAL UPDATE, TRADING STATEMENT AND PRE-CLOSE DISCUSSION

Shareholders are referred to the trading statement released by Indluplace on 23 April 2020 and the interim results for the six months ended 31 March 2020 released on 20 May 2020. An update of the company’s performance and financial position as well as general trading conditions are provided below.

Collections

Collections have improved every month since lockdown was introduced in March 2020, with collections for August 2020 being 90% for the portfolio. Average residential collections for the period April to 31 August 2020 were 88% while collections from retail tenants, normally about 5% of billings, averaged 73% for the same period. Normal credit control measures have resumed, and the debtors legal process has yielded positive results.

Occupancy

In the first months of lockdown, regulations restricted tenants from moving. This created pent-up residential tenant movement and the portfolio experienced increased churn as soon as lockdown levels were relaxed. The strong demand for Indluplace’s variety of units in diverse locations, combined with increased letting campaigns and intensive management, somewhat countered the increased tenant turnover. As expected, the increased churn and stringent credit control measures introduced following lockdown, have resulted in an increase in the average vacancy across the portfolio. August 2020 recorded a 10,5% average residential vacancy, up from 5,7% in March 2020 and 8,5% in August 2019. We expect occupancy levels to improve over the next few months.

Cash position, loans and valuations

Cash resources have increased as a result of a dividend not having been declared for the first half of the financial year. Notwithstanding the impact of the COVID-19 pandemic and subsequent lockdown measures, Indluplace has remained in a cash positive position during this time.

Negotiations with our bankers to refinance the R200 million facility maturing at the end of September 2020 as well as the R732 million maturing in April 2021 are at an advanced stage. We expect to be in a position to provide final details in respect of all facilities that were renewed at the year-end presentation in November 2020.

The property portfolio valuation process is underway. We expect that property valuations will result in a decrease in the value of the property portfolio and that the loan-to-value ratio (LTV) will increase and remain below 38%, which is within bank loan covenants.

Pre-close update

Indluplace will host a pre-close update, to be hosted by Avior on Wednesday, 30 September 2020 at 14h00. Further details are available from Lizelle du Toit at lizelle@acuminate.net.

Dividend update and trading statement

In previous SENS announcements Indluplace advised of the withdrawal of its dividend guidance for 2020 as well as the deferral of the decision on the payment of an interim dividend for the six months ended 31 March 2020 until the end of the 2020 financial year.

Shareholders are advised that Indluplace's total distributable income for the 2020 financial year is expected to be approximately R160 million. This figure excludes interest on share scheme loans and is calculated before any tax on undistributed income. This equates to a reduction of approximately 36% when compared to the distributable income for the year ended 30 September 2019 of R251 million, which includes interest on share scheme loans. A comparison between the distributable income for the same period in 2019, determined on the same basis as that for the 2020 financial year, equates to a reduction of 31%. The impact of the reduction in distributable income on dividend per share for the 2020 financial year will depend upon the extent of any interim and/or final dividend that the Company elects to declare. As required by the JSE Listings Requirements, once Indluplace obtains greater certainty in this regard prior to the finalisation of the results for the year ended 30 September 2020, a further trading statement will be published.

Indluplace's results for the year ended 30 September 2020 are expected to be released on or about 18 November 2020. The information on which this trading statement has been based has not been reviewed or reported on by Indluplace's auditors.

17 September 2020

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