

# Group annual results

for the year ended 31 August 2020

*This short form announcement is the responsibility of the directors. This short form announcement is only a summary of the information in the full announcement and does not contain full or complete details.*

Copies of the full announcement may be requested at the company's registered office (elizeg@octodec.co.za) or the office of the sponsor (sponsor@javacapital.co.za), at no charge, during office hours, Monday to Friday. Any investment decisions made by shareholders and/or investors should be based on a consideration of the full announcement, released on the Stock Exchange News Service (SENS) on 16 November 2020, which may be downloaded from

<https://senspdf.jse.co.za/documents/2020/JSE/isse/OCT/FY2020.pdf>.

The full announcement is also available on the Octodec Investments Limited website at <https://www.octodec.co.za/wp-content/uploads/2020/11/Reviewed-Provisional-Annual-Results-2020.pdf>

Octodec Investments Limited (Octodec or the company), its subsidiaries and associated company (the group) is a real estate investment trust (REIT) listed on the JSE Ltd (JSE). Octodec has a diversified portfolio of 277 residential, retail, office, industrial and specialised properties situated in the major metropolitan areas of Tshwane and Johannesburg valued at R11.8 billion.

## Review of results

	31 August 2020	31 August 2019	% change
Revenue (R'000)	1 880 496	1 982 695	(5.2)
Basic and diluted earnings per share (cents)	(335.0)	111.1	(401.6)
Headline and diluted headline earnings per share (cents)	60.0	161.0	(62.7)
Distributable earnings per share (cents)	156.8	200.9	(22.0)
Distribution per share (cents)	–	200.9	(100.0)
Net asset value per share (cents)	2 413	2 847	(15.2)

This year our country's weakening economic condition, which influenced a further sovereign downgrade in March 2020, was aggravated by the economic fallout as a result of COVID-19 and the subsequent lockdown. This led to a decrease of 22.0% in Octodec's distributable income, largely attributable to the rent relief granted by Octodec to its tenants detrimentally affected by the COVID-19 shutdown and the increase in credit loss allowances, rental reversions and increased vacancies. The relief granted by way of rental discounts, totalling 5.2% of rental income, resulted in a decrease in rental income of 5.3% compared to a 0.1% decrease before the rent relief.

Property costs, both on a gross and net basis, have increased relative to rental income when compared to the prior year, largely due to reduced rental income, mainly as a result of COVID-19 discounts given. While most property costs were reduced or contained during the lockdown period, an increase in bad debts and expected credit loss provisions against trade receivables amounting to R20.5 million, impacted the expense ratio.

## Dividends

COVID-19, as well as a pre-existing weakening economic environment, is having a major impact on South Africa's economy, which has impacted Octodec's ability to fund the group's capital expenditure requirements and at the same time maintain an acceptable loan to value ratio. In these uncertain times, the long-term impact of the above factors cannot yet be assessed and quantified.

In light of market uncertainty, Octodec has deferred its decision regarding the declaration of its final dividend for FY2020 until February 2021. This is in line with the extension granted by the Financial Sector Conduct Authority on 28 June 2020. If a decision to declare a dividend is taken, Octodec intends to declare no more than the minimum distribution requirement of 75% of its distributable income for FY2020, so as to retain its REIT status.

This is to enable greater capital flexibility, retain cash for essential capital expenditure to preserve our balance sheet and to reduce the risks which the company could be exposed to.

## Prospects

The negative GDP growth outlook, rife unemployment, reduced disposable income and the uncertain political environment will undoubtedly continue to restrain local economic growth. Added to this, the environment in which we find ourselves is fluid with the continuing economic uncertainty as a result of COVID-19. The cost of vacancies and rent relief are the variables that may have the most influence on our financial performance in FY2021. While it is difficult to predict the outcome of FY2021 with certainty, in the coming months we are committed to the continuation of our strategy and positioning the business for the future. We have confidence in the management team that we have in place to respond to the current challenges and balance our response with the long-term interests of our stakeholders.

Attracting new tenants and reducing vacancies as well as portfolio consolidation will remain of primary importance in FY2021, and the group will continue to optimise its balance sheet, ensuring that we retain more cash to bolster cash flow and our balance sheet. Due to uncertainty arising from COVID-19 and the continued impact on operating conditions, Octodec will not be providing distributable income guidance at this point.

**Sharon Wapnick** **Jeffrey Wapnick**  
Chairman Managing director

16 November 2020

### OCTODEC INVESTMENTS LIMITED

(Octodec, the company), its subsidiaries and associated company (the group)  
(Incorporated in the Republic of South Africa)  
(Registration number 1956/002868/06)

### JSE share code: OCT

ISIN: ZAE000192258 (approved as a REIT by the JSE)

**Directors:** S Wapnick (chairman)<sup>1</sup>, JP Wapnick (managing director)<sup>2</sup>, AK Stein (financial director)<sup>3</sup>, DP Cohen<sup>4</sup>, GH Kemp<sup>4</sup>, NC Mabunda<sup>4</sup>, EMS Mojaelo<sup>4</sup>, MZ Pollack<sup>4</sup>, PJ Strydom<sup>4</sup>, LP van Breda<sup>4</sup>

<sup>1</sup> Non-executive director

<sup>2</sup> Executive director

<sup>3</sup> Lead independent director

<sup>4</sup> Independent non-executive director

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