

HYPROP INVESTMENTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1987/005284/06)
JSE share code: HYP
ISIN: ZAE000190724
JSE bond issuer code: HYPI
(Approved as a REIT by the JSE)
(“Hyprop” or “the Company”)



PRE-CLOSE OPERATIONAL UPDATE

Further to the publication of Hyprop’s Consolidated Audited Results for the year ended 30 June 2020 on 21 September 2020, Hyprop hereby provides a pre-close operational update on its South African, European and sub-Saharan African operations to the end of October 2020.

The relaxation of lockdown restrictions across all portfolios since 30 June 2020 was welcomed and we believe that the ability of restaurants and other entertainment tenants to operate at increased capacity will further aid the improvement in performance of the portfolios. We remain cautious about increasing COVID-19 infection rates in the countries where the Group operates, and the potential return to stricter lockdown conditions in certain regions.

BALANCE SHEET AND CAPITAL MANAGEMENT

At 30 June 2020 the Group reported a see-through loan-to-value ratio (“LTV”) of 41.4% (as measured by the majority of the Company’s lender banks) and an interest cover ratio (“ICR”) of 3.03 times. On 9 November 2020, the Company announced that it had concluded an agreement to dispose of Ikeja City Mall (“Ikeja”) in Nigeria. The proceeds will be applied to reduce debt, lowering the LTV by 3.5% to 37.9%.

The process of recycling some of our local assets is progressing well and resulting proceeds will be used to further reduce debt.

The Group’s liquidity remains strong with R1.15 billion of unutilised revolving credit facilities and R433 million of cash on hand as at 30 November 2020.

SOUTH AFRICA PORTFOLIO

Most key trading metrics have improved since the last quarter of the 2020 financial year, as reflected below.

Key trading metrics	Jul-20	Aug-20	Sep-20	Oct-20
% Change in foot count year-on-year	-30.1%	-23.9%	-19.3%	-13.7%
Trading density (R)	2 428	2 585	2 392	2 665
% Change in trading density year-on-year	-13.0%	-8.6%	-10.2%	-0.9%
Cash collections (% of average monthly billings, before Covid-19 discounts, for the period July 2020 to October 2020)	87.1%	81.5%	96.5%	113.8%
% change in portfolio tenant turnover year-on-year	-18.8%	-14.2%	-11.6%	-4.0%
Retail vacancy	2.7%	3.3%	3.6%	3.1%
Arrears (Rm)	164	174	168	135

The majority of rent relief negotiations with tenants have been resolved and we expect cash collection rates to increase going forward. Certain tenants, mainly in the travel, leisure, health and beauty and entertainment sectors, continue to require rent relief in the short-term. The need for, and granting of, this support will be carefully evaluated and monitored on a case-by-case basis.

Leasing strategies are in place to address high risk tenancies and there is strong interest in our malls from tenants wishing to take up space. Canal Walk celebrated 20 years of retail excellence in October 2020 with strong demand from national retailers to open flagship and superstores in the mall. Canal Walk welcomed the first Starbucks in the Western Cape in November.

Somerset Mall is currently fully let with a new Cotton On superstore that will start trading in December. Since 30 June 2020 a new Mr Price flagship store, Mr Price Sport and new format Mr Price Home store opened at Cape Gate. The mall also welcomed a new Cotton On superstore. Milady's has launched a new concept store at The Glen.

Hyde Park Corner introduced Always Welcome, a nomadic retail space for owner-run South African design studios that create furniture, homeware and lifestyle objects, a new florist, Botanicus, Nicolas & Co, the famous Christmas and gifting store, and PNA opened in the previous Dion-Wired location in October. Kamers Makers has been well received and Tshepo Jeans is scheduled to open their flagship store in December.

FBO, Kappa and Timberland opened stores at Atterbury Value Mart post the 2020 financial year-end and the new Checkers FreshX offering with Starbucks in-store opened today in Rosebank Mall. Construction of the Checkers FreshX and Stax stores at Woodlands is underway in the premises previously occupied by Game.

Pep and HiFi Corporation both opened in Clearwater Mall and Incredible Connection relocated to a new store on the lower level. The centre also welcomed Yokico, a colourful new stationery concept and Old Mutual Bank will be opening in the new year.

Black Friday

Due to COVID-19 concerns, most retailers offered specials and discounts over the entire month of November, rather than focusing their discounts solely on Black Friday. Most of the retailers increased their offerings closer to Black Friday which resulted in higher than usual footfall spread over the month, instead of only one specific day, remaining conscious of COVID-19 protocols.

Steps towards repositioning

A core part of Hyprop's strategy is the repositioning of its South African portfolio. The COVID-19 pandemic has reaffirmed that people are social beings, which supports Hyprop's vision of creating safe environments and opportunities for people to connect and have authentic and meaningful experiences.

As a result of COVID-19, online consumer shopping has increased significantly across many retail categories, forcing both tenants and landlords to evolve and adapt quicker than originally anticipated. Hyprop has already initiated a number of projects which will assist it in embracing the accelerated shift towards online retail, adapting to changes in shopper behaviour and position it to manage the current economic uncertainty, thereby delivering services and offerings that appeal to our shoppers and retailers. Some of these projects are highlighted below.

Wi-Fi

Wi-Fi and connectivity are integral to Hyprop's broader digital innovation strategy to ensure that the Company remains at the forefront of digital developments across the retail landscape and abreast with digital best practice. To this end, Hyprop took the strategic decision to own its Wi-Fi infrastructure and will launch this across all nine of its South African malls in December. Shoppers will have access to

high speed uncapped connectivity, allowing them to connect and transact while visiting the malls, forming the cornerstone of Hyprop's 'digital first' approach.

SOKO District

Customers continue to demand authentic and meaningful shopping experiences. This includes the need to have tangible experiences of products which may sometimes only be available online. Many online retailers have also realised that they require a presence in the physical retail environment, however, the barriers to entry are often too high. SOKO District, a digital based platform, will enable these digitally native brands to integrate online and traditional retail strategies within a brick and mortar district. The pilot SOKO District is scheduled to be operational at Rosebank Mall in the first half of 2021.

Self-storage

The traditional self-storage market can be divided into residential, business and student users. Rosebank Mall is piloting a residential focussed self-storage offering within the Mall precinct, offering clients a best of breed storage service. The project is currently underway and expected to go live in April 2021. Self-storage facilities are also being planned at The Glen, Clearwater Mall and Canal Walk.

Pargo

Hyprop launched its first Pargo click-park-and-collect service during November at Canal Walk. The service is powered by Pargo, the leading South African click-and-collect service provider and allows customers to place online orders with multiple retailers within our centres, and effortlessly collect their shopping from a dedicated park-and-collect point. The Glen will be the next centre to introduce this service in early December. This service adds to our drive to offer our shoppers a safe and convenient shopping experience and puts the needs of our shoppers first. We plan to roll this service out across the portfolio over time.

EASTERN EUROPE

The Northern Hemisphere is currently experiencing a second wave of the COVID-19 pandemic and South Eastern Europe is not excluded. Significantly higher rates of new infections are occurring compared to those in March 2020, although early evidence points to a lower fatality rate this time around. Three potential reasons for this are: increased COVID-19 testing, the second wave is affecting primarily younger people, and the medical fraternity having better treatment protocols, leaving the broader society better prepared.

Notwithstanding the greater preparedness, various governments have introduced new lockdown measures, including travel restrictions, the closure of borders, 50% restrictions on public transport, the banning of public events and sport matches, the closure of schools and universities, reduced trading hours and the closure of restaurants.

The harshest restriction thus far is a complete lockdown in Bulgaria where malls must close from 28 November to 21 December – only essential stores like supermarkets, pet stores, banks and pharmacies can trade. In Podgorica, no Sunday trade is currently allowed and restaurants have closed for 2 weeks from Saturday, 28 November. In Croatia, all restaurants and casinos are closed until 21 December and, given the curfew in Macedonia, restaurants must close by 21h00. In Serbia, businesses must close by 18h00, resulting in the malls closing at 18h00 rather than 22h00, reducing the potential trading hours.

Fashion retailers have had to reduce their margins in order to clear summer stock which could not be sold during the lockdowns. This has placed financial stress on their operations and further rent reductions have been requested by certain tenants to assist them to acquire autumn and winter stock. An increased number of rent reduction requests are being received from restaurants due to office workers not being able to return to their workspaces around malls, as well as restrictions on seating capacity to comply with 2 meter social distancing requirements. Many other non-fashion tenants continue to seek assistance from landlords, which we will evaluate in the context of occupancy cost ratios.

Negotiations with potential tenants to replace seven Inditex brand stores earmarked for closure across the portfolio are progressing. Reserved, part of the LPP group, will open a 1 700m² shop in August 2021 in Skopje City Mall, Macedonia. Construction of the outside café terrace area is ongoing, with the opening planned for the 1st quarter of 2021. The renovation, relocation and extensions of certain existing tenants are progressing, while the upgrade of the food court at The Mall, Sofia is 95% complete.

The difficult trading environment has put pressure on cash collections, while vacancies have remained stable and below 1%.

Key trading metrics	Jul-20	Aug-20	Sep-20	Oct-20
% Change in foot count year-on-year	-30.9%	-30.1%	-22.0%	-23.1%
Trading density (EURO)	204	199	232	250
% Change in trading density year-on-year	-18.4%	-18.0%	-13.7%	-7.5%
Cash collections (% of monthly collectibles for that month)	83.2%	74.5%	81.0%	77.3%
% Change in portfolio tenant turnover year-on-year	-17.0%	-17.0%	-13.6%	-7.7%
Retail vacancy	0.8%	0.6%	0.6%	0.5%
Arrears	€1.8m	€2.8m	€2.1m	€2.6m

SUB-SAHARAN AFRICA (EXCLUDING SOUTH AFRICA)

Nigeria (Ikeja)

As noted under the balance sheet and capital management section, Hyprop has concluded an agreement for the sale of its 75% interest in Ikeja, a retail shopping centre situated in Lagos, Nigeria, based on the 30 June 2020 investment property carrying value of \$115 million. The purchasers are two new property funds managed by the Actis Group. The sale is subject to the fulfilment of a number of conditions precedent, which the parties are working to fulfil as soon as possible.

The sale is in line with the Group's revised strategy, which includes exiting its sub-Saharan African (excluding South Africa) ("S-SA") investments and the strengthening of its balance sheet. After the disposal of Ikeja the group's exposure to S-SA will have reduced by more than 70% over the last two years.

Ghana (Accra Mall, West Hills Mall, Kumasi City Mall)

Post the disposal of Ikeja, Hyprop's S-SA portfolio will comprise interests in Accra Mall and West Hills Mall in Accra, Ghana, and Kumasi City Mall in Kumasi, Ghana, held via the Group's 50% interest in AttAfrica. The company remains committed to disposing of its remaining S-SA assets in an orderly manner.

According to the Yicai Research Institute Ghana ranks 3rd on the global list of nations that managed Covid-19 the best. The only stores currently not trading in our malls as a result of the Covid-19 pandemic are the cinemas and pubs due to ongoing government restrictions.

Key trading metrics*	Jul-20	Aug-20	Sep-20	Oct-20
% Change in foot count year-on-year	-14.2%	-20.9%	-20.2%	-10.0%
Trading density (US\$)	135	146	158	147
% Change in trading density year-on-year	-10.9 %	-11.4%	-5.8%	-1.9%
Cash collections (% of average monthly billings, before Covid-19 discounts, for the period July 2020 to October 2020)	75.2%	89.9%	89.7%	90.1%
% Change in portfolio tenant turnover year-on-year	-24.4%	-21.7%	-12.1%	-1.2%
Retail vacancy	15.6%	32.4%	23.5%	33.2%
Arrears (US\$m)	10.95	10.92	10.95	11.3

* Excludes Ikeja City Mall

DIVIDENDS FOR THE 2020 FINANCIAL YEAR

The Company will release an announcement regarding the final dividend, and settlement of the interim dividend, for the 2020 financial year shortly.

2021 FINANCIAL YEAR INTERIM RESULTS

Hyprop will release its interim results for the six months ended 31 December 2020 in March 2021.

3 December 2020

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