

SAFARI INVESTMENTS RSA LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 2000/015002/06
Share code: SAR
ISIN: ZAE000188280
(Approved as a REIT by the JSE)
("Safari" or "the Company")



PRE-CLOSE OPERATIONAL UPDATE

Safari hereby provides an operational update relating to the Company's business activities prior to the close of the financial year ending 31 March 2021 and ahead of the start of its closed period commencing 1 April 2021.

During the period under review (1 April 2020 – 31 March 2021) Safari continued to effectively manage a portfolio that showed resilience despite the impact of COVID-19 on South Africa and globally. Safari has shown agility in swiftly adapting to changes in consumer behaviour and new ways of thinking and working. The Company's strategic focus on food-anchored convenience shopping centres in mainly peri-urban areas has proven to be a key factor in the defensive nature of its portfolio.

PERFORMANCE HIGHLIGHTS FOR THE YEAR ENDING 31 MARCH 2021

- Safari's shopping centres proved to fit well with the structural changes in consumer demand, being anchored by large grocery stores and being dominant retail nodes in key locations. The weighted average monthly trading density of the portfolio for February 2021 was R2 732/sqm compared to R2 645/sqm for February 2020 (a normal pre-Covid month) equating to a 3.3% increase. The rolling 12 month weighted average trading density is currently 11% higher compared to the 2020 reported trading density. This is however not on a like-for-like basis due to trading restrictions during the past 12 months. Safari experienced a decline in retail sales (excluding liquor stores) in its portfolio of 6.1% for the first six months of this financial year (April 2020 to September 2020) compared to the prior year. The trend is however improving with retail sales (excluding liquor stores) for the 5-month period October 2020 to February 2021 being marginally higher (1.4%) compared to the corresponding period in the prior year. We expect a further improvement on these figures with the easing of trade restrictions on liquor stores and restaurants with effect from 1 March 2021.
- For the 11-month period up to February 2021, rental discounts of R26.8 million as well as rent deferrals of approximately R1.6 million were granted to tenants. The discount of R26.8 million equates to approximately 8% of total rental income. The collection as a percentage of collectables (after discounts but including aforementioned deferral amount still to be collected) is at 97.3%. Rent relief negotiations are concluded in most cases and for the majority of tenants rental income has normalised again. We expect cash collection rates to increase going forward.
- The portfolio's exposure to tenants in the leisure and entertainment sectors including restaurants, liquor stores and gyms, is limited to 8% of occupied area. This allowed Safari's assets to show resilience during the various lockdown levels while current performance of these leisure retailers and restaurants continues to improve.

- Currently the vacancy level is at approximately 2.5% of gross lettable area (“GLA”), an improvement from 3.3% in the prior year. Leasing activities for the period include all previous Edcon space being re-let successfully as well as increased brand exposure with the introduction of a number of new retailers to the portfolio including Ackermans Woman and CODE from the Pepkor Group, Sneaker Factory and RFO from the Foschini Group, West Pack, Petzone, OBC, Side Step from the Studio 88 Group, and Fuel from the Truworths Group.
- For the period under review 30 115sqm of GLA expired or terminated of which 26 957sqm (90%) was either renewed or relet by March 2021. With the successful renewal of existing leases, tenant retention was firm at approximately 84%. The total rent reversion rate (renewals and reletting) equates to -2.3% to date. Tenant cost of occupancy continues to be negatively impacted by the high escalations in municipal costs, in particular electricity and rates and taxes.
- Although a business interruption insurance claim is being processed for the loss of income due to retail restrictions during the hard lockdown phases, the decision was taken to proceed with legal action against the underwriter. This decision was made to mitigate our loss of interest on the claim amount and considering the positive outcomes in various similar cases before the Appeal Court in South Africa during the last few months. We do not expect this claim to be finalised by our financial year-end but remain optimistic about the merits of the claim and will keep shareholders apprised.
- Safari continued to expand its solar installations throughout the portfolio. The total investment in new or additional solar was R23.1 million with an average expected return of 24%, increasing the total solar capacity of the portfolio from 2.5 MVA to 5.85 MVA.

BALANCE SHEET AND CAPITAL MANAGEMENT

Safari continues to prudently manage its balance sheet and liquidity. The loan-to-value percentage of 40% based on 31 March 2020 valuations and the interest cover ratio are well within the required debt parameters, and it is expected that these covenants will continue to be comfortably met. Currently, 50% of debt is hedged.

R800 million of total facilities of R1.4 billion will mature during the next 12 months. Re-financing discussions are ongoing, with new facilities expected to be in place by the time annual results are published. Liquidity remains sound with unutilised credit facilities of R90 million in place.

DISTRIBUTION GUIDANCE

Shareholders are referred to the full year distributable income per share guidance published as part of Safari’s interim results for the 6 months ending 30 September 2020 and are advised that the guidance remains unchanged at this stage.

DISCLAIMER

Safari enters a closed period from 1 April 2021 until the publication of its annual results for the year ending 31 March 2021. The information contained in this document has not been reviewed or reported on by the auditors of Safari. Estimates, assumptions, and forward-looking statements may therefore differ from the annual results to be published in June 2021.

Pretoria
30 March 2021

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