



Newpark



SHORT-FORM ANNOUNCEMENT: SUMMARISED AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND DECLARATION for the 12 months ended 28 February 2021

At a glance

REVENUE

decreased to
R111,8 million
(down 12,1%)

FUNDS FROM OPERATIONS

decreased to
R39,9 million
(down 10,7%)

FINAL DIVIDEND

increased to
20,25 cents per share
(up 28,7%)

NET ASSET VALUE PER SHARE

decreased to
R8,85
(down 1%)

LOAN-TO-VALUE

deteriorated to
34,6%
(down from 33,3%)

HEADLINE EARNINGS PER SHARE

decreased to
23,6 cents
(down 37,8%)

EARNINGS PER SHARE

increased to
17,09 cents
(up 40,5%)

NATURE OF BUSINESS

Newpark is a property holding and investment company that holds A-grade commercial and industrial properties.

STRATEGY

Newpark's investment strategy is to seek well-positioned prime properties which provide high-quality cash flows and have the potential for long-term capital growth.

PROPERTY PORTFOLIO

Newpark's property portfolio consists of four properties. Two are located in the heart of Sandton, Gauteng, namely the JSE Building which has 18 163 m² of gross lettable area ("GLA") and an adjoining mixed-use property known as 24 Central, which has 15 934 m² of GLA. A further property is situated in Linbro Business Park which has 12 387 m² of GLA and the fourth property is situated in Crown Mines and has 11 277 m² of GLA. The combined valuations of these properties, prepared by the registered property valuer, are performed annually at the Group's year-end. The latest valuation as at 28 February 2021 was R1,37 billion.

COMMENTARY ON RESULTS AND OUTLOOK

The Company's board of directors ("Board") is pleased to present the Group's results for the year under review. The solid underpin provided by a combination of assets that have sound property fundamentals and a high-quality tenant mix, has proven its worth amidst very difficult operating conditions. Growth over the past year has taken a backseat to management of the existing assets, with a particular focus on 24 Central.

Newpark's balance sheet continues to remain financially healthy with a satisfactory gearing level of 34,6% (2020: 33,3%). The COVID-19 market disruption has impacted investment property valuations resulting in a net R9 million decrease in fair value.

The group's vacancies increased during the period to 13,5% (FY2020: 12,1%), negatively impacted by the effects of COVID-19 restrictions on the retail component of 24 Central. Revenue for the financial year ended 28 February 2021 ("the financial year") was R111,8 million (down 12,1%), and operating profit before fair value adjustments was R82,9 million (down 7,0%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the financial year was R17,09 million (up 40,5%), representing a profit of 17,089 cents per share ("cps") (FY2020: 12,16 cps). The total dividends for the financial year of 39,88 cps (FY2020: 40,06 cps) represent a marginal year-on-year decrease of 0,4%.

This performance has been achieved against the backdrop of R10,7 million in COVID-19 tenant relief granted during the year. This impacted directly on both the profitability of the group, funds from operations and ultimately, the dividend declared for the financial year. The majority of this relief was given in the mixed-use property.

Other than the loss of certain tenants in the mixed-use segment, the tenant profile has remained largely the same.

The majority of the tenants have leases that are renewable in 2025 and 2026 such that more than 80% of the leases will mature after the impact of COVID-19 has likely dissipated.

Newpark will continue to focus on the management of its existing assets and will remain alert to any potential acquisitions that are in keeping with the stated strategy. Assuming that Newpark's solid base is maintained, the group is well-positioned to capitalise on opportunities that are likely to present themselves in a suppressed real estate market.

The board is mindful of the current weak economic environment and how this may impact our tenants, specifically in the mixed-use (retail, office and storage) segment and the industrial segment. Notwithstanding this, and on the assumption that no further material relief is granted to tenants due to ongoing COVID-19 restrictions, the group is budgeting for growth in funds from operations per share ("FFOPS") for the year ending 28 February 2022 of in excess of 15%, being at least 45,86 cents per share compared to the FFOPS for the year ended 28 February 2021 of 39,88 cents per share. Newpark expects a corresponding increase in the dividend per share for the year ending 28 February 2022.

The forecast is based on the assumption that no further deterioration in the macro-economic environment will prevail, no material tenant default will occur, operating cost increases will not exceed inflation and no changes will be made to the property portfolio. This forecast has not been audited or reviewed by the company's auditors.

FUNDING

A refinance of Newpark's facilities was carried out in February 2021, aligning the funding to the underlying investment profile.

Consistent with the board's interest rate risk management policy, more than 80% of the interest rate risk has been hedged with interest rate swaps expiring between 2022 and 2024, with the balance of the interest rate risk being hedged through a zero-cost collar.

CASH DIVIDEND DECLARATION

The board has approved and notice is hereby given of the final gross dividend of 20,25025 cents per share for the year ended 28 February 2021.

The dividend is payable to Newpark's shareholders in accordance with the timetable set out below:

	2021
Last date to trade cum dividend	Tuesday, 8 June
Shares trade ex dividend	Wednesday, 9 June
Record date	Friday, 11 June
Payment date	Monday, 14 June

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 June 2021 and Friday, 11 June 2021, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 14 June 2021. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 14 June 2021.

In accordance with Newpark's status as a REIT, shareholders are advised that the dividend meets the requirements of a "qualifying distribution" for the purposes of section 25BB of the Income Tax Act, No. 58 of 1962 ("Income Tax Act"). The dividend will be deemed to be a dividend for South African tax purposes, in terms of section 25BB of the Income Tax Act.

The dividend received by or accrued to South African tax residents must be included in the gross income of such shareholders and will not be exempt from income tax (in terms of the exclusion to the general dividend exemption, contained in paragraph (aa) of section 10(1)(k)(i) of the Income Tax Act) because it is a dividend distributed by a REIT. This dividend is, however, exempt from dividend withholding tax in the hands of South African tax resident shareholders, provided that the South African resident shareholders submitted the following forms to their Central Securities Depository Participant ("CSDP") or broker, as the case may be, in respect of uncertificated shares, or the company, in respect of certificated shares:

- a declaration that the dividend is exempt from dividends tax; and
- a written undertaking to inform the CSDP, broker or the Company, as the case may be, should the circumstances affecting the exemption change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend, if such documents have not already been submitted.

Dividends received by non-resident shareholders will not be taxable as income and instead will be treated as an ordinary dividend which is exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. Any dividends received by a non-resident from a REIT will be subject to dividend withholding tax at 20%, unless the rate is reduced in terms of any applicable agreement for the avoidance of double taxation ("DTA") between South Africa and the country of residence of the shareholders. Assuming dividend withholding tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 16,20020 cents per share. A reduced dividend withholding rate in terms of the applicable DTA, may only be relied upon if the non-resident shareholder, has submitted the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Company, in respect of certificated shares:

- a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- a written undertaking to inform their CSDP, broker or the Company, as the case may be, should the circumstances affecting the reduced rate change or the beneficial owner cease to be the beneficial owner,

both in the form prescribed by the Commissioner for the South African Revenue Service. Non-resident shareholders are advised to contact their CSDP, broker or the Company, as the case may be, to arrange for the abovementioned documents to be submitted prior to payment of the dividend if such documents have not already been submitted, if applicable.

Shares in issue at the date of declaration of dividend: 100 000 001

Newpark's income tax reference number: 9114003149.

By order of the board

21 May 2021

The above announcement is a summary of information in the full announcement and does not contain full or complete details and is the responsibility of the directors. Any investment decisions by investors and/or shareholders should be based on the full announcement which is available on <https://senspdf.jse.co.za/documents/2021/jse/isse/NRLE/YEres21.pdf> and published on the company's website on http://www.newpark.co.za/pdf/annual_reports/FY2021FYRA.pdf on 21 May 2021. The full announcement is also available at the company's registered office (51 West Street, Houghton, Gauteng, 2198) for inspection, at no charge, during office hours on any business day and at the offices of the designated advisor, Java Capital (6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196). Copies of the full announcement may be requested by email to info@newpark.co.za.

The annual financial statements including the audit opinion of the external auditor, BDO South Africa Incorporated, which set out the key audit matters and the basis for its unmodified opinion, is available on the company's website on http://www.newpark.co.za/pdf/annual_reports/FY2021AFS.pdf

NEWPARK REIT LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2015/436550/06)
JSE share code: NRL • ISIN: ZAE000212783
(Approved as a REIT by JSE)
("Newpark" or "the company" or "the group")

Directors:

S Shaw-Taylor (Chairperson) **, SP Ffield (Chief Executive Officer),
JAI Ferreira (Financial Director), BD van Wyk *, DT Hirschowitz *, KM Ellerine *,
TS Sishuba **, HC Turner **

* Non-executive director

** Independent non-executive director