

Investec Property Fund Limited

REVIEWED INTERIM RESULTS, CASH DIVIDEND,
PROSPECTS AND GUIDANCE AND NOTIFICATION
OF FINANCIAL ASSISTANCE FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2021


INVESTEC PROPERTY FUND LIMITED

Approved as a REIT by the JSE
Incorporated in the Republic of South Africa
Registration number: 2008/011366/06
Share code: IPF
Bond code: INV
ISIN: ZAE000180915
Income tax reference number: 9332/719/16/1
("IPF" or "the Fund")

The board of directors of IPF is pleased to announce the results for the six months ended 30 September 2021:

Highlights

- Strong performance achieved with H1 FY22 distributable income per share (DIPS) up 11.8% yoy, driven by stabilisation of SA business and supported by consistent returns from PEL
- H1 FY22 dividend of 49.77019 cents per share (cps) declared*
- 95% pay-out ratio for H1 FY22 in line with prior year
- Stabilisation of South African business
 - SA base NPI up 12.8% following reduction in COVID relief¹
 - SA vacancy reduced from 11.4% (Mar-21) to 9.4%
- PEL portfolio continues to deliver consistent returns:
 - 8.3% base NPI growth¹
 - 3.5% growth in DIPS in EUR and 5.5% growth in DIPS in ZAR
- R1bn of properties identified for sale
- Balance sheet remains robust with LTV of 37.9%
- First property fund to achieve Level 1 B-BBEE contributor rating
- Confident outlook – FY22 DIPS guidance range of 10% – 12%

	Reviewed 30 September 2021	Reviewed 30 September 2020	Movement (%)
Revenue (ZAR'000) ²	757 053	738 499	3%
Operating profit (ZAR'000) ²	490 371	455 506	8%
Net asset value per share (ZAR)	1 672	1 727	(3%)
Distributable earnings per share (cents) ²	52.39	46.87	12%
Basic and diluted earnings per share (cents) ³	55.08	(49.44)	211%
Headline and diluted headline earnings per share ⁴	69.34	13.54	412%

* Event occurred subsequent to half-year but before issue of results.

¹ Measure of growth in base NPI and refers to comparison between the same portfolio of properties i.e. adjusted for properties acquired or disposed.

² Increase due to stabilization of SA portfolio following reduction in Covid relief.

³ Period-on-period increase due to strong operating performance in SA and Europe, supported by stabilization of SA portfolio valuations.

⁴ Period-on-period increase due to an increase in earnings per share with property revaluations excluded.

FY22 interim dividend

The Fund hereby declares an H1 FY22 dividend of 49.77019 cps (R401m) in respect of the six months ended 30 September 2021. This represents a 95% pay-out ratio for H1 FY22's distributable earnings of 52.38967 cps.

In accordance with IPF's status as a REIT, shareholders are advised that the cash 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 dividends on the shares will be deemed to be dividends for South African tax purposes in terms of section 25BB of the Income Tax Act. Compliance with REIT regulations requires payment of a dividend within 4 months of the Fund's FY22 year end.

Tax implications for South African resident shareholders

Dividends 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 section 10(1)(k)(i)(aa) of the Income Tax Act because they are dividends distributed by a REIT. These dividends are however exempt from dividend withholding tax ("Dividend Tax") in the hands of South African resident shareholders provided that the South African resident shareholders have provided to the CSDP or broker, as the case may be, in respect of uncertificated Shares, or the Fund, in respect of certificated Shares, a declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is exempt from dividends tax in terms of section 64F and a written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the exemption change or if the beneficial owner ceases to be the beneficial owner.

If resident shareholders have not submitted the above-mentioned documentation to confirm their status as South African residents, they are advised to contact their CSDP, or broker, as the case may be, to arrange for the documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend.

Tax implications for non-resident shareholders

Dividends received by non-resident shareholders from a REIT will not be taxable in South Africa as income and instead will be treated as ordinary dividends which are exempt from income tax in terms of the general dividend exemption in section 10(1)(k)(i) of the Income Tax Act. It should be noted that up to 31 December 2013 dividends received by non-residents from a REIT were not subject to Dividend Tax. With effect from 22 February 2017, any dividend received by a non-resident from a REIT are subject to Dividend 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 non-resident shareholder. Assuming Dividend Tax will be withheld at a rate of 20%, the net dividend amount due to non-resident shareholders is 39.81615 cps. A reduced dividend withholding rate in terms of the applicable DTA may only be relied on if the non-resident shareholder has provided the following forms to their CSDP or broker, as the case may be, in respect of uncertificated shares, or the Fund, in respect of certificated shares:

- A declaration by the beneficial owner (in such form as may be prescribed by the Commissioner) that the dividend is subject to a reduced rate as a result of the application of the DTA; and
- A written undertaking (in such form as may be prescribed by the Commissioner) to forthwith inform, the CSDP, broker or the Fund, as the case may be, should the circumstances affecting the reduced rate change or if the beneficial owner ceases to be the beneficial owner.

If applicable, non-resident shareholders are advised to contact the CSDP, broker or the Fund, as the case may be, to arrange for the above-mentioned documents to be submitted prior to the date determined by the regulated intermediary, or if no date is determined, by the date of payment of the dividend, if such documents have not already been submitted.

Salient dates relating to the interim dividend

Declaration of dividend	17 November 2021
Last day to trade in order to receive distribution (cum-dividend)	Tuesday, 7 December 2021
Shares trade ex-dividend	Wednesday, 8 December 2021
Record date for shareholders to receive dividend	Friday, 10 December 2021
Dividend payment date	Monday, 13 December 2021

Shares may not be rematerialised or dematerialised between commencement of trade on Wednesday, 8 December 2021 and close of trade on Friday, 10 December 2021, both days inclusive.

The above dates and times are subject to change. Any change will be released on SENS.

Prospects and guidance

South Africa: The South African portfolio has achieved stability however the macroeconomic environment remains subdued and the threat of a further wave remains. We expect further uplift in H2 performance relative to H1, driven by further reduction in vacancy and shorter void periods relative to prior year. The broader office sector is expected to remain stagnant with reversions offsetting contractual rental growth. Management's focus in South Africa is to maintain the stability and quality of the portfolio so that it is well-placed to benefit when the cycle turns.

Europe: The positive trends in the sector are expected to persist with continued rental growth and yield compression anticipated. The Fund will look to take advantage of these positive fundamentals and create earnings and capital growth through further reduction in vacancy and unlocking the existing development pipeline. H2 performance is expected to be consistent with H1, impacted by extended void periods at the Marseille and Hanover assets.

Balance sheet: IPF's balance sheet remains robust with an LTV of 37.9%. With limited refinancing risk in H2 FY22 and all short-term expiries adequately covered by committed banking facilities, the balance sheet has sufficient capacity to support future growth. The management team will continue to explore opportunities to further reduce leverage whilst ensuring earnings are maintained or enhanced.

Guidance: H2 performance is anticipated to be consistent with H1 FY22, given the stabilisation of the SA business and consistent performance of the PEL platform in line with expectations. All major renewals have been concluded and limited leasing risks are anticipated across both portfolios over the remainder of FY22. Assuming the current trading conditions continue to persist, the Fund is expected to deliver distributable income per share for FY22 of 106.75cps – 108.75cps representing DIPS growth of between 10%-12%, with a continued payout ratio of c.95% anticipated.

Financial assistance

NOTICE IN TERMS OF SECTION 45(5) OF THE COMPANIES ACT NO 71 OF 2008, AS AMENDED

Shareholders are advised that at the annual general meeting of the Fund held on 2 August 2021, shareholders approved and passed a special resolution in terms of Section 45 of the Companies Act No 71 of 2008, as amended (the Act) authorising the Fund to provide financial assistance to among others, related or inter-related companies of the Fund.

Shareholders are hereby notified that in terms of S45(5)(b) of the Companies Act No 71 of 2008, as amended, the board of directors of the Company authorised the issue of guarantees and suretyships to third parties for finance and other facilities granted by those third parties to wholly-owned subsidiaries of the Company during the period 1 April 2021 to 30 September 2021.

The board has confirmed that, after considering the reasonable foreseeable financial circumstances of the Company, it is satisfied that immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity test, as contemplated in terms of Section 4 of the Act, and that the terms under which such financial assistance was given were fair and reasonable to the Company.

Further information

The directors of IPF are responsible for the preparation and fair presentation of this short-form announcement and its contents.

The reviewed interim condensed consolidated financial results for the six months ended 30 September 2021 have been reviewed by Ernst & Young Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at our registered office together with the financial statements identified in the auditor's report.

This short-form announcement is a summary of the information of and does not contain full or complete details, any investment decision should be based on the full announcement available at: <https://senspdf.jse.co.za/documents/2021/jse/isse/IPF/HY22.pdf> and on the IPF website at: <https://invest.ec/3ntr10Z> under "Financial Results". In addition, copies may be requested via email on: InvestecPropertyFund@investec.co.za. The full announcement is available on request at: InvestecPropertyFund@investec.co.za from Wednesday, 17 November 2021.

Link to results call

The Fund will host a presentation on the interim results via webcast today at 14:00 (SA time). A virtual question and answer session will be accommodated during the presentation.

The webcast can be accessed via the following link: <https://www.corpcam.com/IPF17112021>

Johannesburg
17 November 2021

Sponsor
Investec Bank Limited