ACCELERATE PROPERTY FUND LIMITED
(Incorporated in the Republic of South Africa)
(Registration No 2005/015057/06)
JSE code: APF ISIN code: ZAE000185815
Bond company code: APFE
(REIT status approved)
(Accelerate or the company or the Fund)

Preliminary Consolidated Financial Results for the period ended 30 September 2021

KEY INDICATORS

Indicator	30 September 2021	30 September 2020
Revenue (excluding COVID-19 effects) (R'000)	513 210	511 648
COVID-19 rental assistance granted (R'000)	(11 233)	(100 086)
Basic loss per share	(3,79)	(6,76)
Diluted loss per share	(3,74)	(6,63)
Weighted average lease expiry (years)	5,9	5,4
Lease escalations (excluding offshore)*	6,5%	7,4%
Vacancies**	17,3%	11,5%
Net asset value per share	6,20	6,31
Distributable income (R'000)***	135 377	11 574

*   6,2% including offshore.
** Due to the large box low rental per m2 nature of vacancies, the vacancy figure measured by revenue is 9,5%.
*** No interim distribution was recommended by the Accelerate board.

IMMEDIATE FOCUS AND FINANCIAL PERFORMANCE

The interim period ended 30 September 2021 has been one of further consolidation for the Fund. The Fund's approach to COVID-19 has been clear, structured and well executed. We remain focused on the long-term sustainability of the Fund and its tenants.

To this end, the Fund has focused on:

- Refinancing debt expiries
- Improving liquidity
- Ensuring the long-term sustainability of tenants through granting sufficient rental assistance during COVID-19
- Extending current and entering into new longer-term leases when granting COVID-19 assistance
- Rebalancing the tenant mix
- Right sizing tenant boxes
- Exploring alternative uses for space
- Managing costs

Rental recoveries, as a percentage of normalised invoiced income, have increased steadily with a 91,4% recovery for September 2021. Non-recovered income predominantly related to tenants who had limited trading capabilities under lockdown level 3, such as entertainment offerings (Bounce, gyms, restaurants etc); tenants in business rescue (Ster Kinekor, Virgin Mobile) as well as smaller tenants who are still recovering from the effects COVID-19 had on their business.

The Fund remains focused on curbing all expenses within our control in order to optimise cash flow available to improve liquidity, repay debt and assist tenants; however, the ongoing above-inflation increases in assessment rates and municipal charges as well as increased cost of debt continue to be of concern.

The total cost to income (excluding once-off COVID-19 costs) has remained stable at approximately 24%.

Leasing

The Fund's weighted average lease expiry (WALE) remains strong at 5,9 years (4,9 years excluding the offshore portfolio) off the back of:

- Lease extensions negotiated with COVID-19 relief granted
- Long-term leases secured with the opening of Fourways Mall
- Long-term blue-chip office leases
- The offshore portfolio with a WALE of 11,5 years

The strong lease expiry profile has, however, come at a cost with COVID-19 rental assistance granted to tenants as well as rental reversions on renewal of leases.

Contractual escalations have come under pressure, with overall contractual escalation of 6,5% (6,2% including offshore).

Vacancies

Vacancies are still a major concern, having risen due to COVID-19 to 17,3% by gross lettable area (GLA) (15,2% when taking into account the headlease at Fourways Mall).

The vacancies in the office space have significantly reduced due to letting concluded in the Cape Town Foreshore area. Noteworthy new leases concluded in the retail space include a long-term lease with Clicks at Eden Meander and a substantial reduction of vacant space at Bela-Bela. However, these positive developments were not sufficient enough to reverse the overall trend.

The bulk of the Fund's vacancies comprises B and C-grade office space as well as low-rental industrial space, resulting in a vacancy by revenue of 9,5%.

Related party matters

- Fourways Mall rebuilt claim:
  As communicated to shareholders via SENS, Accelerate agreed with the developer of Fourways Mall, Azrapart (Pty) Ltd, that the final purchase price for the equalisation of the redeveloped Fourways Mall shopping centre be increased by R300 million in respect of what is known as the rebuilt portion matter. The matter relates to additional costs incurred by the developer to ensure the mall is well positioned for future developments. Shareholders are advised that the dispute has now been settled and payment will be made in due course.

  The rebuilt claim will be settled through the allocation of Accelerate shares. Where appropriate the necessary shareholder approvals will be sought. The settlement of this claim will not result in any cash outflow from Accelerate.

  The R300 million payable has been recognised as a liability at 30 September 2021, as this payable has been capitalised to the Fourways Mall assets, it has also resulted in an R300 million downward fair value adjustment on Fourways Mall post this capitalisation.

- Related party receivables (note 4):

  A portion of related party receivables, including receivables arising from income guarantees in place at Fourways Mall, are to be utilised by Accelerate to acquire assets at Fourways Mall not yet owned on a 50/50 basis with the developer of Fourways Mall. These acquisitions are to ensure that all assets including bulk and parking at Fourways Mall are owned on a 50/50 basis and that future developments at Fourways Mall are done jointly as codevelopers.

  Shareholder approval will be sought where applicable.

  As some of Accelerate's receivables are being realised through the acquisition of assets and not in cash, Accelerate is considering several options in order to recommence the payment of distributions to shareholders including the use of a dividend reinvestment plan programme and the antecedent divestment of distributions.

Treasury overview

Debt funding	30 September 2021 Rm	%	31 March 2021 Rm	%
Relationship funding (including banks and capital markets)	5 437	92,0	5 395	89,6
Other debt capital markets	498	8,0	630	10,4
Total	5 935	100,0	6 025	100,0
Weighted average debt term (years)	1,6		1,8	
Short-term portion of debt	1 629	27,0	1 775	29,5
Debt hedged		86,3		81,4
Weighted average swap term (years)	2,2		2,2	
Blended interest rate		7,4		7,4
Interest cover ratio (x)	2,0		2,0	
Loan to value		47,8		48,5

Accelerate's main funders have agreed in principle to roll all of their debt expiring up to 30 September 2022 for a minimum of 18 months. These extensions will decrease
the short-term portion of debt from R1,6 billion to R367,5 million.

The sale of the offshore portfolio will decrease the loan to value to approximately 42%, improve liquidity reserves and add future growth capacity but will have a minimal impact on the interest coverage ratio due to the termination of the cross-currency swap.

Treasury initiatives

(i) Diversification of funding

Accelerate continues with its drive to diversify funding in an effort to create a more balanced pool of suitable funders which will:

- Manage funders' prudential exposure limits
- Encourage competitive debt pricing
- Build up adequate liquidity buffers
- Create enhanced funding flexibility

(ii) Managing overall cost of funding

Replacing swaps expiring to 31 March 2022 with new swaps at current market rates will result in annual cost savings of approximately R35 million.

Accelerate believes there is an opportunity to engage with funders to reduce the current cost of funding, which was brought on as a result of the funding pressures created by the COVID-19 pandemic.

(iii) Improving the debt expiry profile

Accelerate will engage with its funders to meaningfully extend its debt expiry profile, which was brought on by shorter-term lending due to COVID-19. Concentration risk will also be addressed and managed.

OUTLOOK

We believe the impact of COVID-19 going forward is starting to dissipate. While the portfolio continues to recover in terms of trading and foot count, we believe that it will be another 12 to 18 months before these settle at pre COVID-19 levels. The underperforming economy also continues to persist as a risk with consumer spending.

The Fourways node is strong and resilient and this has been evidenced by the positive trading seen at our smaller centres. We believe that this positive trading will soon include the much bigger retail destinations such as the Fourways Mall super-regional shopping centre.

The Fund has not declared a distribution for the six months ended 30 September 2021; however, depending on its financial position and liquidity, the Fund will look to commence payment of distributions for the year ending 31 March 2022.

GENERAL

This short-form announcement is the responsibility of the directors of Accelerate. It is a summary of the information as set out on the full announcement.

Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement published on the company's website (www.acceleratepf.co.za) and on SENS:

https://senspdf.jse.co.za/documents/2021/jse/isse/apf/FY2021.pdf.

Copies of the full announcement may also be requested from the registered office of Accelerate and the company's equity sponsor at jsesponsor@standardbank.co.za at no charge during office hours.

Any forward looking statements included in this announcement have not been reviewed or reported on by the Fund's external auditors

Johannesburg
24 November 2021

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