

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**”)



ACQUISITION OF FOUR RETAIL PROPERTIES FROM HYSTEAD - POSTING OF CIRCULAR, FINANCIAL INFORMATION FOR THE TRANSACTION AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Shareholders are referred to the proposed acquisition of four Eastern European retail properties from Hystead Limited (“**Hystead**”), in which Hyprop holds a 60% interest, (the “**transaction**”) announced on SENS on 28 January 2022.

1. Posting of circular and notice of general meeting

Shareholders are advised that on 22 February 2022 Hyprop issued a circular to its shareholders regarding the transaction (the “**circular**”), incorporating a notice of general meeting.

The general meeting of Hyprop shareholders will be held by way of electronic participation in accordance with the provisions of section 63(2) of the Companies Act, 71 of 2009 and the JSE Listings Requirements, as read with the company’s memorandum of incorporation, at 10:00 am on Friday, 25 March 2022, to consider and, if deemed fit, pass, with or without modification, the resolution required to be approved by shareholders in order to authorise and implement the transaction (the “**general meeting**”).

Copies of the circular are available on the Hyprop website at <https://www.hyprop.co.za/circulars.php>, and may also be obtained at the company’s registered office, 2nd Floor, Cradock Heights, 21 Cradock Avenue, Rosebank, 2196 during normal business hours from the date of issue of the circular to the date of the general meeting.

Terms defined in the circular will bear the same meaning in this announcement.

2. Forecast statement of profit or loss and other comprehensive income

Set out below are the forecast statements of profit or loss and other comprehensive income of the target group, and the impact on the Group (the “**Forecasts**”), on a stand-alone basis for the 3-months ending 30 June 2022 (the “**FY22 Forecast period**”) and the year ending 30 June 2023 (the “**FY23 Forecast period**”) (and collectively, the “**Forecast periods**”).

The Forecasts, including the assumptions on which they are based, are the responsibility of the Hyprop board. The Forecasts must be read in conjunction with the circular, which, inter alia, contains the detailed notes and assumptions relating to the forecasts in Annexure 4, and the Independent Reporting Accountant’s report thereon in Annexure 5, of the circular.

The Forecasts have been prepared:

- in relation to the transaction only;
- in accordance with Hyprop’s accounting policies and in compliance with IFRS;
- in accordance with paragraphs 13.12 and 13.14 of the JSE Listings Requirements; and
- on the basis of the overriding assumption that the conditions precedent specified in the transaction agreement will have been met by the effective date, being 31 March 2022, and therefore, the risks and rewards of ownership will transfer to Hyprop on this date. As a result, Hyprop will be able to recognise 100% of the income and expenditure from the target group companies from 1 April 2022.

The forecasts for the 3-months ending 30 June 2022 and the year ending 30 June 2023 are set out below.

	Forecast 3 months ending 30 June 2022 EUR'000	Forecast 12 months ending 30 June 2023 EUR'000	Forecast 3 months ending 30 June 2022 R'000 ³	Forecast 12 months ending 30 June 2023 R'000 ³
Revenue	15 993	65 708	293 298	1 225 661
Rental and other lease income	12 469	51 194	228 666	954 937
Straight-line rental income accrual	(123)	(181)	(2 255)	(3 382)
Non-lease income	264	1 146	4 842	21 377
Recoveries	3 383	13 549	62 045	252 729
Changes in expected credit losses - trade receivables	(74)	(278)	(1 351)	(5 179)
Property expenses	(6 505)	(26 548)	(119 300)	(495 211)
Net property income	9 414	38 882	172 647	725 271
Other operating expenses ¹	(761)	(2 967)	(13 955)	(55 338)
Operating income	8 653	35 915	158 692	669 933
Net interest	(2 771)	(10 922)	(50 823)	(203 724)
Profit before taxation	5 882	24 993	107 869	466 209
Taxation	(567)	(2 558)	(10 396)	(47 718)
Profit for the period / year of the target group	5 315	22 435	97 473	418 491
Other comprehensive (loss) / income				
Items that may be reclassified subsequently to profit or loss (net of taxation)	-	-	-	-
Total comprehensive profit for the period / year of the target group	5 315	22 435	97 473	418 491
Incremental interest cost for the Group			(30 530)	(122 118)
Other incremental Group costs ²			(17 027)	(6 382)
Profit and total comprehensive income for the period/year for the Group from the transaction			49 916	289 991
<i>Adjusted for:</i>				
Straight-line rental income accrual			2 255	3 385
Distributable earnings for the period/year for the Group from the transaction			52 171	293 376
Net number of ordinary shares in issue (000)			341 828	341 828
Distributable earnings per share for the Group from the transaction (cents)			15.26	85.83

¹ Other operating expenses include asset management fees of €527k (R9.7 million) (June 2022) and €2 108k (R39.3 million) (June 2023) which will ultimately be paid to Hyprop.

² Incremental Group costs for the 3 months ending 30 June 2022 include the transaction costs of R12.4 million.

³ Euro amounts have been converted to Rands at an exchange rate of R18.34/Euro (June 2022) and R18.65/Euro (June 2023) (based on independent forecast rates).

Assumptions that are under the control of the Hyprop board relating to the target group

1. Rental revenue

Rental revenue has been forecast for each of the Hystead acquisition properties based on existing and new individual leases, contractual rental indexations and step rental adjustments, and assumptions of future occupancy rates, tenant retentions, market rentals and the impact of new competitors in certain of the markets.

a) Categorisation of rental revenue

Forecast rental revenue comprises 77% and 78% of the total forecast revenue for the FY22 Forecast period and the FY23 Forecast period, respectively, and non-rental revenue comprises 23% and 22% of the total forecast revenue for the FY22 Forecast period and the FY23 Forecast period, respectively.

The forecast rental revenue is categorised as contracted, near-contracted or uncontracted, as follows:

	FY22 Forecast period (%)	FY23 Forecast period (%)
Contracted	85.7	77.2
Near-contracted	2.7	8.3
Uncontracted	11.6	14.5
TOTAL	100	100

b) Lease expiries, reletting, vacancies and tenant incentives

Specific assumptions have been made in respect of each lease over the Forecast periods, for each of the Hystead acquisition properties.

- Reletting and lease incentives for expiring leases during the Forecast periods have been assumed on a property-by-property basis, taking into consideration existing lease agreements and draft terms being negotiated with potential tenants (including existing tenants);
- an assessment of the impact of the Covid-19 pandemic on tenant renewal and lease periods; and
- available information on the relevant tenancy, such as current passing rent, market rent, property, locality, and discussions with tenants and potential tenants.

Vacancies have been forecast on a property-by-property basis. Current vacant space has been assumed to remain vacant unless it is deemed probable that such space will be let, in which case the rental is forecast at prevailing market rates.

3. Salient dates

Set out below are the salient dates and times in relation to the transaction:

	2022
Record date to receive the circular and notice of general meeting	Friday, 11 February
Circular and notice of general meeting issued	Tuesday, 22 February
Announcement relating to the issue of the circular and notice of general meeting released on SENS	Tuesday, 22 February
Last day to trade on the JSE in order to be eligible to participate in and vote at the general meeting	Tuesday, 15 March
Voting record date	Friday, 18 March
Last day to lodge forms of proxy for the general meeting with the transfer secretaries, by 10:00 am (forms of proxy not lodged with the transfer secretaries in time may be handed to the chairperson of the general meeting immediately before the commencement thereof)	Wednesday, 23 March
General meeting held at 10:00 am	Friday, 25 March
Results of the general meeting released on SENS	Friday, 25 March

Notes:

1. All dates and times in this announcement are local dates and times in South Africa and are subject to change. Any changes will be announced on SENS.
2. Hyprop shareholders should note that as transactions in shares are settled in the electronic settlement system used by Strate, settlement of trades takes place three business days after such trades. Therefore, Hyprop shareholders who acquire Hyprop shares after close of trade on Tuesday, 15 March 2022 will not be eligible to vote at the general meeting.
3. No dematerialisation and/or rematerialisation of Hyprop shares may take place between Wednesday, 16 March 2022 and Friday, 18 March 2022, both days inclusive.

4. Withdrawal of cautionary announcement

Following the release of this announcement, the cautionary announcement released on SENS on 28 January 2022 is withdrawn and caution is no longer required to be exercised by shareholders when dealing in Hyprop securities.

22 February 2022

Corporate advisor and sponsor

JAVACAPITAL