

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")



SHORT-FORM ANNOUNCEMENT: CONDENSED UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 AUGUST 2022

NATURE OF BUSINESS

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

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 15,641 m² of GLA. The third property is situated in Linbro Business Park which has 12,387 m² of GLA and the fourth property in Crown Mines which has 11,277 m² of GLA. The combined valuation of these properties, undertaken by the directors at 31 August 2022 was R1,33 billion and is in line with the independent valuation conducted by a registered property valuer as at 28 February 2022.

KEY FINANCIAL HIGHLIGHTS

	Unaudited 31 August 2022	Unaudited 31 August 2021	Change %
Funds from operations per share ("FFOPS") (cents) ¹	31,17	21,66	43,9
Dividend per share (cents)	25,00	21,66	15,4
Total assets (R000)	1 340 184	1 381 917	(3,0)
Net asset value per share (Rand) ¹	8,43	8,78	(4,0)
Loan to value ratio (%) ¹	33,5%	34,2%	
Gross revenue (R000)	59 464	51 249	16,0
Operating profit before fair value adjustments	42 764	37 559	13,9
Earnings / (loss) per share (cents)	37,03	19,73	87,7
Headline earnings / (loss) per share (cents)	37,03	19,73	87,7

¹ Financial measure determined in accordance with the SA REIT Association Best Practice 2nd edition 2019

Commentary on results

The Company's board of directors ("Board") is pleased to present the Group's interim results for the period 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 of the portfolio took a backseat in the previous year as the focus was on the management of the existing assets, with a particular focus on 24 Central. The results of these efforts and the removal of COVID-19 restrictions are reflected in the improved performance of the assets and 24 Central in particular.

Newpark's balance sheet continues to remain financially healthy with a satisfactory loan-to-value ratio of 33,1% (FY2022: 33,6%).

Revenue for the six-months ended 31 August 2022 was R59,5 million, up 16,0% compared to H1 F2021, and operating profit before fair value adjustments was R42,8 million (up 13,9%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the interim period was R37,0 million (H1 F2021: R19,7 million), representing a profit of 37,031 cents per share ("cps") (H1 F2021: 19,726 cps).

Funds from operations (“FFO”) was R31,17 million (up 43,9%), amounting to 31,17 cps (H1 F2021: 21,66 cps).

Improvements in trading at 24 Central, resulted in increased rental revenues and advertising and parking income, a significant factor contributing to the improved performance. The cancellation of the leases of two non-performing retail tenants was offset by an office tenant taking additional space and extending their overall lease. This resulted in the Group’s vacancy factor improving to 9,6% (FY2022: 10,6%).

A positive amendment to the lease of one of Newpark’s industrial tenants was concluded, and although this will result in an upfront rental reduction, the lease has been extended by a further three years. The lease amendment underpins the valuation of the property at 31 August 2022.

Despite the increasing interest rate environment, the maturing of certain interest rate hedges resulted in a reduction in the Group’s weighted average funding cost, which also contributed to improved profitability. Hedges remain in place for 63,3% of the Group’s interest rate exposure.

Dividend per share

The interim dividend for the reporting period of 25,00 cps (H1 F2020: 21,66 cps) represents an increase of 15,4% over the prior year interim dividend and 80,2% of FFOPS.

Outlook

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 and conservative debt policy.

Although the board is mindful of the current weak economic environment and how this may impact our tenants, specifically in the mixed-use segment, the removal of COVID-19 restrictions has improved the ability of a number of tenants to operate normally and this is expected to continue to positively contribute to the performance of the portfolio. This is supported by the increased rental on additional space taken by a key office tenant at 24 Central, as well as advertising and parking income anticipated from the property.

The upfront rental reduction resulting from the amended single tenant lease agreement came into effect from 1 August 2022 and will impact FFOPS by 1,53 cents per share in the current financial year.

Over the next year to eighteen months Newpark will look to secure lease renewals and extensions for various key tenants in its portfolio, with the objective of improving the weighted average lease expiry of the portfolio.

Debt providers have been engaged with regard to the refinancing of the portion of the Group’s borrowings which matures in May 2023. Newpark will continue to maintain conservative gearing levels, particularly in light of the rising interest rate environment.

The group is budgeting for growth in FFOPS for the year ending 28 February 2023 in excess of 15%, being at least 53,61 cents per share, compared to the FFOPS for the year ended 28 February 2022 of 46,63 cents per share. Newpark expects a corresponding percentage increase in the dividend per share for the year ending 28 February 2023.

The forecast is based on the assumption that there will be no material deterioration in the macro-economic environment; 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.

Payment of interim dividend

The Board has approved, and notice is hereby given of the interim gross dividend of 25,00 cents per share for the six months ended 31 August 2022.

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

	2022
Last date to trade cum dividend:	Tuesday, 25 October
Shares trade ex dividend:	Wednesday, 26 October
Record date:	Friday, 28 October

Payment date:

Monday, 31 October

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 October 2022 and Friday, 28 October 2022, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 31 October 2022. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 1 October 2022.

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) a declaration that the dividend is exempt from dividends tax; and
- b) 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 20,000 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) a declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- b) 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: 9506934174.

SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of Newpark and the contents were approved by the Board on 4 October 2022. This short-form announcement is a summary of the full announcement released on SENS on 5 October 2022 and does not include full or complete details. The short-form announcement has not been audited or reviewed by the Company's external auditors.

The full announcement is available on the Company's website at: http://www.newpark.co.za/pdf/sens/31082022GroupH1F2023interimresults_SENS.pdf and can also be accessed using the following JSE link: <https://senspdf.jse.co.za/documents/2022/jse/isse/NRLE/2022HY.pdf>.

The full announcement is available for inspection at the registered offices of the Company or its sponsor, at no charge, during office hours from Wednesday, 5 October 2022 to Wednesday, 12 October 2022. Any investment decision should be based on the full announcement available on the Company's website.

By order of the Board

4 October 2022

DIRECTORS

S P Fifield (Chief Executive Officer), A J Wilson (Financial Director), B D van Wyk *, D T Hirschowitz*,
KM Ellerine*, R C Campbell **, S Shaw-Taylor**, T S Sishuba**

* Non-executive director

** Independent non-executive director

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DATE OF PUBLICATION

5 October 2022