

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” or “the Group”)



PRE-CLOSE OPERATIONAL UPDATE

Hyprop delivers on its purpose – to create spaces and connect people – by owning and managing dominant retail centres in mixed-use precincts in key economic nodes in South Africa and Eastern Europe. We do this by ensuring the centres meet the needs of the communities they serve and by embracing relevant new technologies.

Further to the publication of Hyprop’s Annual Results for the year ended 30 June 2022 on 29 September 2022, the Company hereby provides an operational update for the four months ended 31 October 2022 (“the period”).

BALANCE SHEET AND CAPITAL MANAGEMENT

On 7 November 2022, the Company announced that 84.4% of shareholders elected the dividend reinvestment plan (“the 2022 DRIP”) offered to shareholders with the distribution for the year ended 30 June 2022 (“the 2022 dividend”), equivalent to an aggregate value of R844 million. The dividend reinvestment elections were reduced equitably for all shareholders on a pro rata basis to R500 million in aggregate, resulting in the issue of 16 127 649 new Hyprop shares, and R500 million of cash being retained by Hyprop as new equity.

Hyprop successfully issued two bonds under its DMTN program through a public auction in November 2022, raising R785 million (R502 million for a three-year term and R283 million for a five-year term) at attractive margins. The bond auction was 1.4 times oversubscribed.

The Group’s Rand and Euro-denominated interest costs are circa 80% hedged, providing protection against the increase in interest rates. The average overall Rand interest rate has increased from 7.6% in June 2022 to 8.1% at 31 October 2022, and the overall Euro interest rate has increased from 2.7% in June 2022 to 3.0% at 31 October 2022.

The bank debt in Nigeria was successfully refinanced for a further two years and the team is close to completing the refinancing of the Ghana bank debt.

The Group’s liquidity remains strong, with R2.4 billion of unutilised facilities and R814 million of cash on hand at 31 October 2022. The LTV, after payment of the 2022 dividend and implementation of the 2022 DRIP, is 38.2%.

SOUTH AFRICA PORTFOLIO

Scape Goat Gallery, Georges Grill House and Versailles Luxury, a high-end accessory store, opened recently in Hyde Park Corner, while Charles Greig Galleries has undergone a stylish revamp. At Rosebank Mall the subdivision of the existing Truworths premises and relocation of Cotton On has commenced, and we welcomed Volpes, Footgear and Republic.

During the period Huawei, Cosmic Comics and Freedom of Movement opened in Clearwater Mall. Wolf Brothers is being revamped, with TAG Heuer becoming a standalone store within the store. A new look Panarotti's opened in the fully revamped piazza.

The reconfiguration and subdivision of the ex-Food Lovers Market premises at Woodlands has been completed to accommodate West Pack, Petzone and Volpes. Eagle Lighting opened in the Woodlands Value Centre.

To celebrate the South African arts, Somerset Mall collaborated with well-known artist Marco Olivier, displaying his unique art works/pieces throughout the centre. We opened new stores for PUMA and Salomon, and Foschini completed their full store upgrade.

RoccoMamas and Factorie are among the new stores that opened at CapeGate, and a new Suzuki showroom is expected to open during the latter half of 2023. The bathroom upgrade at CapeGate will commence in mid-January 2023. This will include the installation of new Propelair toilets to reduce water usage.

A number of new stores opened in Canal Walk, including the first Nike Live concept store in Africa, the first Xaomi and SPCC (Sergeant Pepper Clothing Company) stores in the Western Cape, Hot Chefs, a fast-food restaurant serving proudly Capetonian cuisine, and a flagship Pick n Pay clothing store, which is more than double the size of their previous store. The conversion of the NuMetro West-Wing cinemas into a new Adventure Park has commenced and is expected to open during the third quarter of 2023.

Trading Metric	Year	Jul	Aug	Sep	Oct	Total for 4-month period
Tenant Turnover (R'000)	2020	1 274 647	1 373 808	1 327 257	1 470 709	5 446 421
	2021	1 424 864	1 464 246	1 513 825	1 644 499	6 047 433
	2022	1 834 411	1 693 531	1 723 701	1 818 404	7 070 047
Variance % 2021 vs 2020		11.8%	6.6%	14.1%	11.8%	11.0%
Variance % 2022 vs 2021		28.7%	15.7%	13.9%	10.6%	16.9%
Trading Density (R)	2020	2 413	2 560	2 372	2 660	2 502
	2021	2 555	2 577	2 654	2 897	2 671
	2022	3 225	2 967	3 013	3 161	3 091
Variance % 2021 vs 2020		5.9%	0.7%	11.9%	8.9%	6.8%
Variance % 2022 vs 2021		26.2%	15.1%	13.5%	9.1%	15.7%
Foot count ('000)	2020	4 931	5 404	5 560	5 985	21 880
	2021	5 371	5 613	5 628	6 267	22 879
	2022	6 320	5 829	5 910	6 434	24 493
Variance % 2021 vs 2020		8.9%	3.9%	1.2%	4.7%	4.6%
Variance % 2022 vs 2021		17.7%	3.8%	5.0%	2.7%	7.1%
Retail Vacancy (%)	2020	2.7%	3.5%	3.7%	3.3%	-
	2021	3.1%	3.1%	2.7%	2.6%	-
	2022	2.0%	1.5%	1.3%	1.3%	-
Collections (R'000)	2020	246 783	230 990	273 566	322 524	1 073 862
	2021	251 172	224 470	265 946	300 735	1 042 323
	2022	255 298	279 779	313 384	248 591	1 097 053
Variance % 2021 vs 2020		1.8%	-2.8%	-2.8%	-6.8%	-2.9%
Variance % 2022 vs 2021		1.6%	24.6%	17.8%	-17.3%	5.3%

Trading metrics for 2020 and 2021 exclude Atterbury Value Mart.
 Certain prior period amounts have been updated with the most recent information received.

The SA portfolio's foot count continues to grow, increasing by 7.1% compared to the same period in 2021. Foot count on Black Friday was 8% higher than in 2021, and tenant turnover for the period grew 16.9%. Demand for space from retailers remains robust and many retailers are trading better than prior to Covid. Retail vacancies remain low at 1.3% and the centres are well-positioned for the anticipated festive season trading.

EASTERN EUROPE

Following the lifting of all Covid-19 restrictions in Eastern Europe earlier this year tenant turnover, trading density and foot count have improved significantly.

Between July and October 2022 eleven stores (4 200m²) at The Mall in Sofia have undergone complete renovations: New Yorker, Sport Vision, Intersport, English Home, Miele, Tom Tailor, Top Shop, Zlatna Ripka, Pizza Lab, Kenvelo and Terranova. Six new stores opened during the period to enhance the tenant mix – Calliope, AC&Co, Jack and Jones, Cool Club, Skapto Burger and Robotime. Intersport has replaced Massimo Dutti, and Sinsay will relocate in April next year to the former ZARA space and double the size of their store. H&M will undergo a revamp in 2023 and incorporate H&M Home, a market entry in Bulgaria for this concept, into the store. Phase 1 of the upgrade of the bathrooms will be completed by the end of November 2022 and phase 2 will commence in January 2023, to be completed by April 2023.

The first Kiko Milano in North Macedonia opened in Skopje City Mall and Duki Daso enlarged their footprint. Two new kiosks, Markt & Choco House, were introduced to the recently upgraded food court, enhancing the offering.

City Center one East's tenant mix was improved with the addition of Purex, Submarine Original and Sizeer. Ghetaldus Optika relocated to the upper level to create an optometrist cluster on this floor.

We continue to monitor any potential impact of the Ukrainian / Russian war on the portfolio. Increased costs of electricity, fuel and gas are driving inflation, which impacts tenant occupancy costs. Tenant performance is being monitored on a monthly basis, and temporary rent relief has been granted to some tenants in exchange for future rental escalations and longer lease tenure.

Trading Metric	Year	Jul	Aug	Sep	Oct	Total for the 4-month period
Tenant Turnover (€'000)	2020	33 161	29 956	36 649	37 493	137 258
	2021	38 594	34 055	38 315	42 017	152 982
	2022	40 190	36 866	44 794	43 990	165 840
Variance % 2021vs 2020		16.4%	13.7%	4.5%	12.1%	11.5%
Variance % 2022 vs 2021		4.1%	8.3%	16.9%	4.7%	8.4%
Trading Density (€)	2020	203	183	224	228	210
	2021	234	206	229	251	230
	2022	241	221	272	268	250
Variance % 2021vs 2020		15.0%	12.4%	2.3%	9.9%	9.7%
Variance % 2022 vs 2021		2.9%	7.1%	19.1%	6.7%	8.9%
Foot Count ('000)	2020	1 814	1 671	1 917	1 891	7 293
	2021	2 091	1 812	1 878	2 106	7 886
	2022	2 139	2 030	2 245	2 335	8 748

Variance % 2021vs 2020		15.3%	8.4%	-2.0%	11.4%	8.1%
Variance % 2022 vs 2021		2.3%	12.0%	19.6%	10.9%	10.9%
Vacancy (%)	2020	1.2%	0.9%	0.8%	0.7%	-
	2021	0.3%	0.4%	0.3%	0.3%	-
	2022	0.9%	0.9%	1.4%	0.5%	-
Collections (€'000)	2020	7 123	6 583	6 821	6 612	27 140
	2021	6 297	6 166	6 561	6 612	25 637
	2022	6 854	7 133	7 606	7 042	28 635
Variance % 2021vs 2020		-11.6%	-6.3%	-3.8%	0.0%	-5.5%
Variance % 2022 vs 2021		8.8%	15.7%	15.9%	6.5%	11.7%

Certain prior period amounts have been updated with the most recent information received.

The portfolio vacancy rate remains low at 0.5% and is confirmation of the dominance of the centres. The centres performed well over the Black Friday weekend, with foot count up 19.6% on the Friday and 23.1% on the Saturday compared to the previous year.

SUB-SAHARAN AFRICA (EXCLUDING SOUTH AFRICA)

Nigeria

All stores, restaurants and cinemas at Ikeja City Mall can now trade without restrictions. Trading at the new Nike store has exceeded expectations since its opening in August 2022. The centre is performing well and has one vacancy of 166m² (June 2022: nil).

For the first time in almost three years, Ikeja managed to procure some US dollars in Nigeria, however, the amount is not significant and the lack of US dollar liquidity remains a challenge.

Ghana

Turnover and trading density at the Ghanaian centres have been impacted by the 144% depreciation of the Ghanaian Cedi against the US dollar since 1 January 2022. On a positive note, vacancy levels have reduced from 13.4% in June 2022 to 12.7% in October 2022, as a result of focused asset management improvements. We are closely monitoring the impact of the Cedi depreciation on rentals, collections, and occupancy rates.

Accra Mall will welcome a number of new tenants before the end of the calendar year, including Maestro, Chocolate Sayari and Yetra E-Gaming (a world-class E-Gaming store). LC Waikiki is completing their new store fit-out and is expected to commence trading by the end of the first quarter of 2023. Vodafone and Maydan Home Décor have expanded into bigger stores.

At West Hills Mall, Easy Prime, with brands such as Voskos and Pacific Fashion, should commence trading by the end of 2022. Maydan Home Décor, Motion Furniture, Unique Collections and Madagastar E-gaming opened new stores.

At Kumasi City Mall, Kidsville and Tecno recently opened, following the earlier opening of P2Lounge, Oregano (both restaurants), Mac Cosmetics, Gamel Clothing, and Spendstree Photos. Kent's Cup expanded into a larger store. Astolinks and Peer Teks are expected to open by the end of the calendar year.

An exit agreement has been concluded with Game in Ghana, in terms of which a settlement fee will be paid by Game before 31 December 2022 for the early termination of their leases. The asset management team is making good progress in re-letting the ex-Game space.

Performance measure	Year	Jul	Aug	Sep	Oct	Total for 4-month period
Turnover (GHC'000)	2020	35 152	38 310	40 351	39 761	153 574
	2021	42 815	48 511	44 055	45 398	180 779
	2022	49 734	52 034	55 324	57 780	214 872
Variance % 2021 vs 2020		21.8%	26.6%	9.2%	14.2%	17.7%
Variance % 2022 vs 2021		16.2%	7.3%	25.6%	27.3%	18.9%
Turnover (US'000)	2020	6 019	6 573	6 910	6 786	26 288
	2021	7 170	7 864	7 955	7 382	30 371
	2022	5 968	5 926	5 478	4 820	22 192
Variance % 2021 vs 2020		19.1%	19.6%	15.1%	8.8%	15.5%
Variance % 2022 vs 2021		-16.8%	-24.6%	-31.2%	-34.7%	-26.9%
Trading Density (GHC)	2020	970	1 048	1 129	1 068	1 053
	2021	1 198	1 246	1 121	1 216	1 195
	2022	1 112	1 170	1 297	1 376	1 236
Variance % 2021 vs 2020		23.5%	18.9%	-0.8%	13.9%	13.4%
Variance % 2022 vs 2021		-7.2%	-6.1%	15.7%	13.2%	3.5%
Trading Density (USD)	2020	166	180	193	182	180
	2021	201	202	202	198	201
	2022	133	133	128	115	128
Variance % 2021 vs 2020		20.8%	12.3%	4.6%	8.5%	11.3%
Variance % 2022 vs 2021		-33.5%	-34.0%	-36.5%	-41.9%	-36.4%
Foot count (Ikeja incl.) ('000)	2020	1 882	1 987	1 697	1 797	7 363
	2021	2 059	2 142	1 945	2 169	8 315
	2022	1 929	1 957	1 902	2 000	7 788
Variance % 2021 vs 2020		9.4%	7.8%	14.6%	20.7%	12.9%
Variance % 2022 vs 2021		-6.3%	-8.6%	-2.2%	-7.8%	-6.3%
Vacancy (Ikeja incl.) (%)	2020	13.8%	13.7%	13.5%	13.2%	
	2021	11.2%	11.1%	10.8%	10.7%	
	2022	10.2%	10.1%	9.4%	9.7%	
Collections (Ikeja incl.) (\$'000)	2020	2 638	2 653	2 589	2 567	10 448
	2021	3 308	2 764	3 225	3 083	12 380
	2022	3 488	3 454	3 227	2 314	12 483
Variance % 2021 vs 2020		25.4%	4.2%	24.6%	20.1%	18.5%
Variance % 2022 vs 2021		5.5%	24.9%	0.1%	-24.9%	0.8%

Certain prior period amounts have been updated with the most recent information received.

Turnover for the period in local currency increased 18.9% from 2021 and collections were in line with the prior year. Vacancies reduced from 12.3% in June 2021 to 10.1% in June 2022, and to 9.8% in October 2022.

We continue to work with Actis to find a way to implement the sale of Ikeja City Mall. Various alternatives, including the sale of a portion of our investment, are being considered. The deteriorating Ghana economy has resulted in the term sheet relating to the sale of the Ghana portfolio lapsing.

ESG

Sustainability is integral to our business and our initiatives focus on recycling, reducing waste, managing assets to be more energy and water-efficient, and reducing carbon emissions in line with national targets. Our sustainable procurement and B-BBEE policies seek to change the historical patterns of privilege and poverty. We continue to preserve and develop our human capital resources and manage our financial resources in a prudent and responsible manner, while effective governance integrates integrity and performance.

We intend to implement the next phase of solar PV at Woodlands Boulevard, Rosebank Mall, and Clearwater Mall during the 2023 financial year, adding 7 254 kWp of capacity which should produce 8 919 482 kWh per annum, and utilise the remaining roof space available for solar PV generation on our Gauteng portfolio. In addition to the sustainability benefits, the solar projects produce attractive financial returns.

The Propelair toilets installed at Clearwater Mall, Rosebank Precinct and Hyde Park Corner resulted in water savings of 7 700 kl in the four-month period, equating to a saving of R662 000. Propelair toilets will be installed at Woodlands and should save 12 483 kl of water and R476 000 per annum. Given the water savings being achieved, the roll-out of Propelair toilets will be extended across the SA portfolio.

Good progress is being made with our organic waste management initiatives and we implemented various organic waste solutions and technologies at our centres during July and August 2022. Somerset Mall and CapeGate upgraded their waste management facilities to Bokashi systems, an indoor “composting” system, in August 2022. After a reassessment in October 2022, the organic waste volumes at Woodlands warranted an upgrade to a bio bin system, an on-site capture and containment system used for organic material processing, similar to the current systems at Hyde Park Corner and Clearwater. This was implemented in November 2022. Further evaluation of onsite solutions will take place throughout 2023, and volume and performance will inform best-fit solutions.

IN CLOSING

Despite the difficult economic environment, the improved trading conditions at all centres and the Group’s strong balance sheet mean we are well positioned to face the challenges of rising inflation, higher interest rates and energy costs, and socio-political events. These factors are compounding existing weaknesses in the South African economy, including the failure by municipalities and Eskom to deliver services, currency volatility, and pressure on consumers and consumer spending. Risk in the current economic environment remains elevated and fluid, requiring caution and conservatism in our approach and strategy. We continue to focus on generating sustainable total returns for shareholders, reducing debt, and allocating capital prudently to diversify risk.

Hyprop’s interim results for the six months ended 31 December 2022 are scheduled to be released in March 2023.

Hyprop will hold a virtual presentation at 14:00 this afternoon to discuss this operational update. Please contact Lizelle du Toit at lizelle@hyprop.co.za should you wish to join the presentation. A recording of the presentation will be available on Hyprop’s website thereafter.

5 December 2022

Sponsor

JAVACAPITAL