

**Investec Property Fund Limited**
**PRELIMINARY RESULTS AND CASH DIVIDEND  
FOR THE YEAR ENDED 31 MARCH 2023 AND  
NOTIFICATION OF FINANCIAL ASSISTANCE**

**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 year ended 31 March 2023:

**HIGHLIGHTS**

The 2023 financial year has been characterised by a strategic repositioning of the IPF business; a strong operational performance from the underlying Fund portfolios; and a volatile global economic and interest rate environment. Against this backdrop, highlights for the year include:

- Completed several significant strategic transactions which are long-term, value accretive and set the Fund on a clear path for future growth.
- Shareholder approval and support obtained for the internalisation of the asset management business.
- Achieved strong operational performances in the South African and European portfolios:
  - The SA portfolio remains stable and achieved growth against a challenging economic backdrop.
  - The European PEL portfolio captured strong growth in contracted rent.
- Results were however, adversely impacted by the global interest rate environment, resulting in an increase in our weighted average cost of funding in Europe. European interest rate costs have been capped with limited interest rate risk over the next 2.5 years.
- Results in line with guidance, recording a decline in DIPS and DPS of 2.8% to 104.64288cps (Mar-22: 107.60945cps) and 99.41074cps (Mar-22: 102.22898cps), respectively.
- 95% dividend payout ratio maintained.
- The balance sheet remains healthy with temporarily elevated LTV of 43.4%\* at March 2023 due to strategic initiatives with defined plan to reduce.
- The Fund has low near-term refinancing risk and interest rate risk has been effectively managed.
- Achieved the ESG targets we set for our South African portfolio and will continue to embed these principles across our portfolio.

	<b>Reviewed 31 March 2023</b>	Restated and audited 31 March 2022	Movement %
Revenue (ZAR'000) <sup>1</sup>	<b>1 862 747</b>	1 808 007	3.0%
Operating profit (ZAR'000) <sup>2</sup>	<b>1 033 006</b>	1 005 916	2.7%
Distributable earnings per share (cents) <sup>3</sup>	<b>104.64</b>	107.61	(2.8%)
Net asset value per share (ZAR) <sup>4</sup>	<b>1 617</b>	1 696	(4.6%)
Basic and diluted earnings per share (cents) <sup>5</sup>	<b>24.22</b>	128.99	(81.2%)
Headline and diluted headline earnings per share <sup>6</sup>	<b>43.70</b>	177.85	(75.4%)

<sup>1</sup> Prior year was restated to include recoveries of municipal costs such as electricity and water recovered from lessees.

<sup>2</sup> Increase due to improved vacancy rates and a strong performance in the industrial portfolio. In addition, costs and arrears have been well managed.

<sup>3</sup> Decrease driven by EUR interest rate increases.

<sup>4</sup> Decrease driven by the revaluation of the property portfolio in SA and Europe.

<sup>5</sup> Decrease as a result of revaluation of the property portfolio in SA and Europe, increase in EUR interest rates and absence of rental guarantee in PEL.

<sup>6</sup> Decrease due to the revaluation of the property portfolio in Europe, increase in EUR interest rates and absence of rental guarantee in PEL.

\* When adjusted for proceeds received from the sale of the Netherlands Schiphol property that occurred post-year end, LTV is 42%.

## **FY23 FINAL DIVIDEND**

The Fund hereby declares an FY23 final dividend of 48.31977cps (R388.9m) in respect of the twelve months ended 31 March 2023. This represents a 95% pay-out ratio for H2 FY23's distributable earnings of 50.86292 cps. This brings the total dividend for FY23 to 99.41074 cps, representing a full year pay-out ratio of 95% for the year's distributable earnings of 104.64288 cps. The full year dividend meets the minimum distribution (75%) required to retain REIT status.

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 FY23 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 38.65582 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 final dividend**

Last day to trade in order to receive distribution (cum-dividend)	Monday, 12 June 2023
Shares trade ex-dividend	Tuesday, 13 June 2023
Record date for shareholders to receive dividend	Thursday, 15 June 2023
Dividend payment date	Monday, 19 June 2023

Shares may not be rematerialised or dematerialised between Tuesday, 13 June 2023 and Thursday 15 June 2023, both days inclusive.

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

## **PROSPECTS AND GUIDANCE**

The 2024 financial year will mark a turning point in the evolution of the Fund from a property investment business into an international real estate fund and asset management company. While the longer-term focus will be on the roll out of a capital light fund management model and exploring development pipeline opportunities in Europe, the immediate focus will be on maintaining the stability of the current portfolio and enhancing the quality of recurring earnings.

With an underlying quality asset base and a robust balance sheet, IPF has strong foundations for future growth.

## **South Africa**

The South African macroeconomic backdrop remains muted, and the property sector faces many challenges, not limited to rising municipal costs and an energy crisis which contributes to an increasing cost of occupation. While the South African portfolio has stabilised and is performing to expectations, it is expected to deliver low growth that is reflective of the operating environment.

Initiatives to reduce our client's cost of occupation will become increasingly necessary to drive bottom line earnings. With the portfolio now largely de-risked, the focus will be on maintaining the quality and relevance of the portfolio and accelerating the capital recycling program, to redeploy into core-plus and value-add opportunities.

## **Europe**

Given the continued tailwinds supporting the sector, growth in contracted rent is expected to continue within the PEL platform, as the management team actively works to capture ERV growth. In addition, positive medium-term earnings growth will be supported by a capping out of funding costs for 2.5 years and cost savings initiatives.

## **Balance sheet**

IPF's balance sheet remains robust with LTV expected to return to a target of 35% in the medium-term. The Fund continues to proactively recycle capital and has low near-term refinancing risk with interest rate risk appropriately managed. Funding costs are however, expected to increase as maturing debt is refinanced and re-hedged in the new higher interest rate environment.

## **Overall fund**

The increase in funding costs for the PEL platform during FY23 took place in the second half of the financial year, and whilst these costs have been capped they are not fully reflected in the full year results. As previously communicated, the acquisition of the additional 19% interest in PEL is marginally dilutive.

In addition, the refinancing of R6.5bn of debt and related Euro CCS positions were concluded towards the end of FY23 and the full impact of the higher costs will only be reflected in FY24. A strong operational performance in FY24 is thus expected to be partially offset by these higher funding costs.

The impact of the management internalisation is expected to be accretive to earnings as previously communicated to market, but remains subject to Competition Commission approval. As such, the full accretionary impact will not be recognised in FY24.

The rollout of the funds management strategy is expected to create new revenue streams that will further buffer earnings and reduce LTV. There has been significant market interest in working with the Irongate platform and the management team are actively focused on growing new strategies and sourcing capital. Together with strategies in Europe and South Africa, this remains a growth vector that the Fund expects to build to scale over the medium to longer term.

Maintaining the overall quality of our portfolio is important and the level of capex will be managed accordingly. We do anticipate incurring an ongoing level of capex spend which does drag cashflows and short-term earnings.

Taking the above into account, the Fund expects to deliver low single digit DIPS growth in FY24. The Fund will continue to target a dividend payout ratio of between 90% to 95%, after taking into account its LTV position, capex funding requirements and and tax considerations.

The above guidance assumes that current normalised trading conditions will persist and does not consider the impact of any unforeseen circumstances, potential business failures or the occurrence of any other factors that are beyond the Fund's control.

## **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 02 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 2022 to 31 March 2023.

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 preliminary condensed consolidated financial results for the year ended 31 March 2023 have been reviewed by PricewaterhouseCoopers 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 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/2023/jse/isse/IPF/YE23.pdf> and on the IPF website at: [https://www.investecpropertyfund.com/content/dam/international/investec-property/ipf-investor-relations/IPF\\_Financial\\_Results\\_2023.pdf](https://www.investecpropertyfund.com/content/dam/international/investec-property/ipf-investor-relations/IPF_Financial_Results_2023.pdf) under "Financial Results". In addition, copies may be requested via email on: [InvestecPropertyFund@investec.co.za](mailto:InvestecPropertyFund@investec.co.za). The full announcement is available on request at: [InvestecPropertyFund@investec.co.za](mailto:InvestecPropertyFund@investec.co.za) from Thursday, 18 May 2023.

#### **LINK TO RESULTS CALL**

The Fund will host a presentation on the reviewed condensed consolidated financial results for the year ended 31 March 2023 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/IPF18052023>

Johannesburg  
18 May 2023

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