



Newpark



SHORT-FORM ANNOUNCEMENT: SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS AND CASH DIVIDEND

for the 12 months ended
28 February 2023

AT A GLANCE

REVENUE

increased to
R126,7 million
(UP 15,19%)

FUNDS FROM OPERATIONS

increased to
R67,2 million
(UP 44,11%)

TOTAL DIVIDEND

increased to
67,19 cents
per share
(UP 43,23%)

NET ASSET VALUE PER SHARE

increased to
R8,93
(UP 5,68%)

LOAN-TO-VALUE RATIO

improved to
30,9%
(DOWN from 33,6%)

HEADLINE EARNINGS PER SHARE

increased to
64,78 cents
(UP 26,52%)

EARNINGS PER SHARE

increased to
130,65 cents
(UP 386,04%)

NATURE OF BUSINESS

Newpark is a property holding and investment company that holds high-quality commercial and industrial properties.

INVESTMENT STRATEGY

Newpark's investment strategy is to seek well-located prime commercial, industrial and retail properties in South Africa, which provide a high-quality, sustainable earnings base with the potential for capital appreciation within the medium- to long-term.

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 16 056 m² of GLA. A further property is situated in Linbro Business Park, which has 12 387 m² of GLA and the fourth property is situated in Crown Mines and has 11 277 m² of GLA. The combined valuations of these properties, prepared by the registered property valuer, are performed annually at the group's year-end. The latest valuation as at 28 February 2023 was R1,38 billion.

COMMENTARY ON RESULTS

The company's board of directors ("board") is pleased to present the group's results for the year under review.

Newpark's balance sheet continues to remain financially healthy with a loan-to-value ratio of 30,9% (F2022: 33,6%).

Improved operation in tenant vacancies at 24 Central together with asset management initiatives on Newpark's single-tenanted assets have positively impacted property valuations and resulted in a fair value increase of R65,9 million (4,87%) to the value of the assets relative to the previous year.

Revenue for the financial year ended 28 February 2023 ("the financial year") was R126,7 million (F2022: R110,0 million), up 15,2%. Operating profit before fair value adjustments was R88,6 million (F2022: R77,3 million), up 14,6% (F2022: down 6,8%). After allowing for fair value adjustments and the net cost of finance, the total comprehensive profit for the financial year was R130,7 million (F2022: R26,9 million), up 386,0% (F2022: up 57,3%), representing earnings of 130,65 cents per share ("cps") (F2022: 26,88 cps).

Cash generated from operations ("CGO") for the financial year increased by 0,7% from R95,1 million to R95,7 million, mainly as a result of rental escalations, which were offset by maintenance costs and the negative rental reversion incurred on the extension of the lease of the Crown Mines industrial property.

The board declared a final cash dividend of 42,19 cps (F2022: 25,25 cps). The total dividend for the financial year is 67,19 cps (F2022: 46,91 cps) representing 100% of funds from operations ("FFO") and is an increase of 43,23% (F2022: increase of 17,63%) over the 46,91 cps declared in respect of the prior year (100,6% of FFO).

FUNDING

Newpark's revolving credit facility and R300 million of its term loan facilities, that were due to mature in May 2023, were refinanced during the financial year. The term loan was replaced by two separate facilities of R150 million, which mature in November 2025 and November 2027, respectively, at margins that are largely in line with those of the previous facilities. The revolving credit facility is now available until November 2027. The refinancing of the maturing debt has significantly improved the liquidity position for Newpark in the short- and medium-term.

In addition to the refinancing, three of the interest rate hedges matured during the year, which decreased the hedging of Newpark's borrowings to 63% at year-end. Although this is below the board's previously stated hedging target of 70%, the board is comfortable with the current level in light of the relatively low gearing ratio of 30,9% and the current unfavourable hedging environment. The board will continue to monitor Newpark's position in the context of dynamic market conditions.

The reduction in the interest rate hedges decreased the overall financing costs relative to the prior year, despite the increasing interest rate environment.

Newpark's hedged borrowings are contracted at an average interest rate of 6,52% per annum before banker's margin until June 2024.

OUTLOOK

Newpark will continue to focus on the management of its existing assets with the lease renewals of the remaining single tenanted buildings remaining a key management priority with 57% of leases by GLA due to expire in 2025 and 2026.

The group will remain alert to any potential acquisitions that are in keeping with its stated investment strategy and is well-positioned to capitalise on opportunities that are likely to present themselves in a suppressed real estate market.

The group is budgeting FFOPS for the year ending 28 February 2024 to be between 63,83 and 70,55 cents per share, being within 5% of FFOPS for the year ended 28 February 2023 of 67,19 cents, with the assumption that any negative rental reversions that may arise due to lease renewals at certain of the single-tenanted buildings are offset by rental income growth at the balance of the portfolio.

The dividend per share for the year ending 28 February 2024 is budgeted to be in line with the FFOPS for the year.

The forecast is based on the assumption that no further deterioration in the macro-economic environment will prevail, 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.

CHANGES TO THE BOARD OF DIRECTORS

During the year we said farewell to Simon Fifield who resigned as the Chief Executive Officer on 31 October 2022 in order to pursue new opportunities. Simon was a founding member of Newpark and has served as CEO since its listing in 2016. We thank Simon for his invaluable leadership and contributions over the years and wish him well for the future. Auri Benatar (appointed 1 November 2022) joined the board to replace Simon and the board looks forward to benefitting from his insights and experience.

CASH DIVIDEND DECLARATION

The board has approved and notice is hereby given of the final gross dividend of 42,19497 cents per share for the year ended 28 February 2023.

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

	2023
Last date to trade <i>cum</i> dividend	Tuesday, 6 June
Shares trade <i>ex</i> dividend	Wednesday, 7 June
Record date	Friday, 9 June
Payment date	Monday, 12 June

Share certificates may not be dematerialised or rematerialised between Wednesday, 7 June 2023 and Friday, 9 June 2023, both days inclusive.

The dividend will be transferred to dematerialised shareholders' CSDP accounts/broker accounts on Monday, 12 June 2023. Certificated shareholders' dividend payments will be paid to certificated shareholders' bank accounts on or about Monday, 12 June 2023.

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 declaration that the dividend is exempt from dividends tax; and
- 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 33,75597 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 declaration that the dividend is subject to a reduced rate as a result of the application of a DTA; and
- 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: 9114003149.

By order of the board
18 May 2023

The above announcement is a summary of information in the full announcement and does not contain full or complete details and is the responsibility of the directors. Any investment decisions by investors and/or shareholders should be based on the full announcement which is available on

<https://senspdf.jse.co.za/documents/2023/jse/isse/NRLEIYERes23.pdf>

and published on the company's website on

http://www.newpark.co.za/pdf/annual_reports/FY2023FYRA.pdf

on 18 May 2023. The full announcement is also available at the company's registered office (51 West Street, Houghton, Gauteng, 2198) for inspection, at no charge, during office hours on any business day and at the offices of the designated advisor, Java Capital (6th Floor, 1 Park Lane, Wierda Valley, Sandton, 2196). Copies of the full announcement may be requested by email to info@newpark.co.za.

The annual financial statements including the audit opinion of the external auditor, BDO South Africa Incorporated, which set out the key audit matters and the basis for its unmodified opinion, is available on the company's website on

http://www.newpark.co.za/pdf/annual_reports/FY2023AFS.pdf.

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")

Directors:

S Shaw-Taylor (Chairperson) **, AF Benatar (Chief Executive Officer), AJ Wilson (Financial Director), DT Hirschowitz *, KM Ellerinne *, BD van Wyk *, RC Campbell **, TS Sishuba **

* Non-executive director ** Independent non-executive director