

HYPROP INVESTMENTS LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1987/005284/06)

JSE share code: HYP ISIN: ZAE000190724

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(Approved as a REIT by the JSE)

("Hyprop" "the Company" or "the Group")



PRE-CLOSE OPERATIONAL UPDATE

Further to the publication of Hyprop's interim results for the six months ended 31 December 2022 on 16 March 2023, the Company hereby provides an operational update for the five months ended 31 May 2023 ("the period").

The Group's operational performance continued to improve steadily over the period. The South Africa ("SA") portfolio's tenant turnover increased by 9.8%, compared to the previous corresponding period, exceeding 2019 levels. Tenant turnover across the Group's properties in Croatia, Bulgaria and North Macedonia rose 17.64% year-on-year in the five months to May 2023. In Ghana, in local currency terms, tenant turnover for the four months to April was up 26.11% year-on-year. The improved trading metrics can be attributed to the results of the repositioning strategy in SA, post Covid-19 recovery buoyed by inflation in the Eastern Europe ("EE") portfolio, as well as improved asset management in the sub-Saharan Africa ("SSA") portfolio.

SOUTH AFRICA PORTFOLIO

There have been several refurbishments, relocations and new store openings across the portfolio.

At Somerset Mall, Freedom of Movement opened a new store, RocoMamas, Spur and Toy Kingdom were relocated, and the Exclusive Books store was upgraded. Construction of the Checkers Fresh X and the new mini-food court, to complement the Ster-Kinekor cinemas, are in progress and planned to open in November 2023.

Yoyo Bubble Tea and Kase Artist opened new stores in Clearwater Mall, while PnP and Cinnabon refurbished their stores. Crazy Store, Lemonade (locally produced decor and gifting store) and Capitec were relocated. The new escalators being installed near entrance 4, linking the ground and first floor, will enhance and re-energise some of the less visited space. Completion is anticipated in November 2023.

The vacancy rate at Rosebank Mall reduced from 4.7% in December 2022 to 2%, with the opening of five new stores and another two to follow post year-end. Cultish (streetwear clothing brand) opened its second store in SA in June 2023, The Bed Shop opened during the same month, and Side Step and Game4U opened in February 2023 and May 2023 respectively. Future store openings include Toys R Us and Wimpy - both anticipated to open in August 2023. Nicci Boutique, Edgars Beauty, Vodacom, Totalsports and PnP (currently 90% complete) have been refurbished. Mr Price Home is relocating to new bigger premises and will open in August 2023, as is Spec Savers, and Frans Tailor has already relocated and is trading. The project to upgrade the lighting at the Bath Avenue entrance is anticipated to be completed in July 2023, while the Uber pick-up and drop-off point located at the same entrance will be ready in August 2023. Both projects will improve the Rosebank precinct and enhance our shoppers' experience.

Two new stores opened at Canal Walk - Top Tailor in May and the first UNIQ store in South Africa in March. The Carlton Hair, Old Khaki, Queenspark, Sneaker Factory and Thomas & Benno stores were refurbished.

International chicken diner, Chicking, opened at The Glen Shopping Centre in February, and PEP Home started trading in April 2023. Absa will take occupation of its revamped, downsized premises in July 2023.

Upcoming store openings at CapeGate include Nando's and the new Suzuki dealership which is under construction and scheduled to open in October 2023. The dealership is located in a repurposed, previously underutilised portion of the covered parking.

An H&M pop-up store opened at Woodlands, and Mr Price has been relocated as part of the centre's repositioning strategy. Council approval was received for the three new drive-thru restaurants at Woodlands and leases with Chicken Licken and Steers have been concluded. Discussions with the third potential tenant are in the final stages. The project is expected to be completed post year-end.

The SA portfolio key trading metrics for the period are detailed below:

Trading Metric	Year	Jan	Feb	Mar	Apr	May	Total for 5-month period
Tenant Turnover (R'000)	2020	1 626 124	1 520 831	1 358 796	334 923	1 141 803	5 982 477
	2021	1 309 237	1 401 977	1 533 140	1 512 475	1 685 443	7 442 272
	2022	1 670 522	1 578 403	1 736 387	1 851 948	1 821 482	8 658 742
	2023	1 856 829	1 766 013	1 902 320	2 001 693	1 980 522	9 507 377
Variance % 2021 vs 2020		-19.49%	-7.82%	12.83%	351.59%	47.61%	24.40%
Variance % 2022 vs 2021		27.60%	12.58%	13.26%	22.44%	8.07%	16.35%
Variance % 2023 vs 2022		11.15%	11.89%	9.56%	8.09%	8.73%	9.80%
Trading Density (R)	2020	2 815	2 641	2 364	1 896	2 514	2 536
	2021	2 330	2 494	2 732	2 701	2 993	2 650
	2022	2 907	2 755	3 054	3 262	3 191	3 033
	2023	3 202	3 057	3 294	3 472	3 443	3 294
Variance % 2021 vs 2020		-17.24%	-5.57%	15.55%	42.48%	19.05%	4.50%
Variance % 2022 vs 2021		24.76%	10.50%	11.79%	20.77%	6.61%	14.46%
Variance % 2023 vs 2022		10.16%	10.95%	7.87%	6.46%	7.89%	8.59%
Footcount ('000)	2020	6 986	6 527	5 653	2 024	4 192	25 382
	2021	5 424	5 256	5 751	5 248	5 810	27 489
	2022	6 219	5 534	6 084	5 990	6 024	29 851
	2023	6 458	5 649	6 318	6 330	6 129	30 883
Variance % 2021 vs 2020		-22.37%	-19.46%	1.74%	159.25%	38.58%	8.30%
Variance % 2022 vs 2021		14.67%	5.28%	5.79%	14.13%	3.69%	8.59%
Variance % 2023 vs 2022		3.83%	2.08%	3.84%	5.68%	1.74%	3.46%
Retail Vacancy (%)	2020	1.73%	1.81%	1.95%	2.19%	2.25%	-
	2021	3.14%	2.64%	2.81%	2.75%	2.55%	-
	2022	1.90%	1.38%	1.45%	1.63%	1.44%	-
	2023	1.52%	1.43%	1.47%	1.71%	1.45%	-
Collections (R'000)	2020	278 320	321 933	223 520	120 087	142 934	1 086 793
	2021	210 521	253 561	259 608	295 323	228 966	1 247 979
	2022	229 561	271 178	284 008	301 862	230 535	1 317 144
	2023	233 189	285 638	322 134	286 955	259 228	1 387 144
Variance % 2021vs 2020		-24.4%	-21.24%	16.15%	145.92%	60.19%	14.83%
Variance % 2022 vs 2021		9.0%	6.95%	9.40%	2.21%	0.68%	5.54%
Variance % 2023 vs 2022		1.58%	5.33%	13.42%	-4.94%	12.45%	5.31%

Rent reversions for the 11 months ending 31 May 2023 were 10.1% compared to 12.8% at 31 December 2022.

Loadshedding remains an ongoing and major concern for South Africa. However, all of our centres continue to trade during loadshedding. The portfolio has full backup generator capacity with 81 generators, other than Canal Walk (which is largely shielded from loadshedding through its participation in the City of Cape Town's curtailment programme) where six prime rate generators are being commissioned.

During the period, the total cost of loadshedding was R55.3 million, of which R47.7 million (86%) was recovered.

EASTERN EUROPE PORTFOLIO

Skopje City Mall concluded a deal with H&M, who will open their second flagship store in North Macedonia at Skopje City Mall at the end of March 2024. KRS Kids, Sport Lab, Beo Sport, JYSK (homeware store), Office Plus Peko (footwear retailer) and Buzz (casual and sportswear) have been relocated and/or up-sized. The Body Shop opened its first store in North Macedonia at Skopje City Mall and the newly renovated Nike flagship store opened in April 2023. The refurbishment of DM Drogerie (pharmacy) was completed in February 2023, offering a modern shopping experience to visitors. Burger King and Star Ocean's renovations are complete.

New tenants at City Centre one East include Triumph (intimate wear store), A1 (mobile technology device retailer), Salamander (an accessories store), L'Occitane and Pandora. Dormeo Home, Europa92 (Lee/Wrangler), MASS (footwear), Deichmann (footwear) and Skechers refurbished their stores.

US Polo and Polleo Sport (sports and health store) opened their doors in City Centre one West and jewellery store Zlatarna Dodić underwent a complete refurbishment, while KFC undertook a cosmetic upgrade.

Two new entrants to the Bulgaria market will open at The Mall in Sofia – Tedi, a German value retailer, will open their flagship store in July 2023, and Dunk Shop, a unique trendy basketball and lifestyle concept, will commence trading at the end of June 2023. Other new tenants include Ozone (gaming store), Skiny (intimate wear) and Pink Opium (aesthetic centre). Sinsay (part of the Polish group LPP) successfully opened in March 2023 with their latest concept store. Bohemia (home goods), S-Gifts, Comsed (children's toy store) and Teodor (men's clothing store) underwent renovations and were rightsized. Three new kiosk leases were concluded with Bubble House (waffles and tea), Akbari Perfume and Phone Exchange. Refurbishment of all the toilet blocks was completed at the beginning of May 2023.

The EE portfolio key trading metrics for the period are detailed below:

Trading Metric	Year	Jan	Feb	Mar	Apr	May	Total for 5-month period
Tenant Turnover (€'000)	2020	37 071	32 881	18 520	5 558	21 149	115 179
	2021	28 146	30 958	30 387	29 893	38 747	158 130
	2022	32 532	30 121	34 205	41 205	44 585	182 648
	2023	40 712	36 816	41 784	47 053	48 506	214 871
Variance % 2021 vs 2020		-24.08%	-5.85%	64.08%	437.85%	83.21%	37.29%
Variance % 2022 vs 2021		15.58%	-2.70%	12.56%	37.84%	15.07%	15.50%
Variance % 2023 vs 2022		25.15%	22.23%	22.16%	14.19%	8.79%	17.64%
Trading Density (€)	2020	226	201	115	192	133	170
	2021	232	190	185	182	236	204
	2022	194	180	205	246	266	218
	2023	246	224	251	283	292	259
Variance % 2021 vs 2020		2.86%	-5.50%	60.64%	-5.04%	77.70%	19.6%
Variance % 2022 vs 2021		-16.46%	-5.44%	10.64%	35.07%	12.98%	7.2%
Variance % 2023 vs 2022		26.70%	24.35%	22.44%	14.84%	9.79%	18.74%
Footcount ('000)	2020	2 432	2 261	1 203	361	1 058	7 316
	2021	1 591	1 804	1 751	1 641	2 008	8 795
	2022	1 821	1 713	1 948	2 082	2 262	9 825
	2023	2 279	2 010	2 177	2 271	2 444	11 181
Variance % 2021 vs 2020		-34.58%	-20.22%	45.53%	354.05%	89.73%	20.21%
Variance % 2022 vs 2021		14.44%	-5.02%	11.24%	26.86%	12.64%	11.72%
Variance % 2023 vs 2022		25.17%	17.36%	11.75%	9.09%	8.05%	13.80%
Vacancy (%)	2020	0.20%	0.30%	0.30%	0.60%	1.30%	
	2021	0.40%	1.20%	1.00%	0.50%	0.40%	

	2022	0.30%	0.40%	0.40%	0.40%	0.80%	
	2023	0.59%	0.59%	0.42%	0.79%	0.33%	
Collections (€'000)							
	2020	8 486	6 374	4 709	1 863	2 545	23 977
	2021	5 380	5 941	6 216	5 320	5 996	28 853
	2022	7 287	7 589	7 534	7 040	7 134	36 584
	2023	7 343	8 134	8 669	7 454	7 925	39 526
Variance % 2021 vs 2020		-36.60%	-6.79%	32.00%	185.56%	135.60%	20.34%
Variance % 2022 vs 2021		35.45%	27.74%	21.20%	32.33%	18.98%	26.79%
Variance % 2023 vs 2022		0.76%	7.19%	15.07%	5.88%	11.09%	8.04%

SUB-SAHARAN AFRICA PORTFOLIO

Nigeria

Ikeja City Mall in Nigeria is fully let and continues to trade and perform well, despite the challenges of the Nigerian economy. The centre recorded a pleasing 21% decline in arrears year-to-date.

The asset management team has embarked on a programme of improving the tenant mix – several attractive tenants, including Hugo Boss, Calvin Klein, and Chinese brands Semir and Balabala, are on a waiting list to take up space in the centre. Mothercare, a specialist baby store, opened in May 2023.

The recently elected government removed the fuel subsidy, which has effectively increased the price of fuel by around 150%. This will result in increased costs to tenants and consumers.

The Central Bank of Nigeria has embarked on a programme of exchange control relaxation, the details of which are not fully confirmed. We are optimistic that this will lead to increased liquidity, investment and economic activity in Nigeria in the long-term. However, the short-term impact has been a severe weakening of the Naira against the US Dollar.

Ghana

In March 2023, L.C. Waikiki opened a store at Accra Mall, further bolstering the centre's tenant mix. The earlier opening of brands such as Maestro, Clarks, Celio, Enzzo, Charles Tyrwhitt and Chocolate Sayari, provides shoppers with a more global offering. Orca Decor has signed a one-year lease on the ex-Game space, effective from 1 August 2023.

At West Hills Mall, the latest addition to the tenant mix is Hubtel, an e-commerce and FinTech platform. This comes after the opening of Voskos and Pacific Fashion in December 2022. The asset management team continues to explore replacement tenant options for Game at West Hills Mall.

At Kumasi City Mall, discussions with an anchor tenant for the ex-Game space are at an advanced stage. The planned opening is scheduled for December 2023.

The SSA portfolio key trading metrics for the four months ended 30 April 2023 are detailed below. These exclude tenants' trading stats for Ikeja City Mall, Nigeria unless otherwise indicated:

Trading Metric	Year	Jan	Feb	Mar	Apr	Total for 4-month period
Turnover (GHC'000)	2020	44 978	40 810	45 324	24 085	155 196
	2021	45 694	42 291	46 907	45 589	180 481
	2022	50 239	44 783	50 002	48 879	193 903
	2023	61 433	54 809	65 304	62 983	244 530
Variance % 2021 vs 2020		1.59%	3.63%	3.49%	89.29%	16.29%
Variance % 2022 vs 2021		9.95%	5.89%	6.60%	7.22%	7.44%
Variance % 2023 vs 2022		22.28%	22.39%	30.60%	28.85%	26.11%
Turnover (USD'000)						
	2020	7 986	7 465	8 003	4 161	27 616

	2021	7 771	7 267	8 092	7 817	30 948
	2022	7 964	6 445	6 622	6 175	27 205
	2023	4 966	4 323	5 189	5 263	19 741
Variance % 2021 vs 2020		-2.70%	-2.64%	1.11%	87.86%	12.07%
Variance % 2022 vs 2021		2.49%	-11.32%	-18.17%	-21.01%	-12.09%
Variance % 2023 vs 2022		-37.65%	-32.91%	-21.64%	-14.77%	-27.44%
Trading Density GHC	2020	1 064	956	1 390	758	1 039
	2021	1 309	1 185	1 275	1 234	1 250
	2022	1 135	1 063	1 205	1 170	1 143
	2023	1 741	1 557	1 808	1 755	1 716
Variance % 2021 vs 2020		22.98%	23.90%	-8.25%	62.75%	20.30%
Variance % 2022 vs 2021		-13.23%	-10.30%	-5.50%	-5.19%	-8.59%
Variance % 2023 vs 2022		53.28%	46.57%	50.02%	50.07%	50.16%
Trading Density USD	2020	189	175	245	131	185
	2021	223	204	220	212	214
	2022	180	153	160	148	160
	2023	141	124	144	150	140
Variance % 2021 vs 2020		17.78%	16.40%	-10.37%	61.52%	15.93%
Variance % 2022 vs 2021		-19.11%	-24.88%	-27.46%	-30.15%	-25.21%
Variance % 2023 vs 2022		-21.84%	-18.92%	-9.82%	1.38%	-12.89%
Footcount (Ikeja incl.) ('000)	2020	2 226	1 862	1 844	1 123	7 056
	2021	2 142	1 782	1 907	1 825	7 657
	2022	2 134	1 783	1 838	1 851	7 606
	2023	2 024	1 405	1 765	2 023	7 216
Variance % 2021 vs 2020		-3.77%	-4.29%	3.40%	62.53%	8.52%
Variance % 2022 vs 2021		-0.36%	0.02%	-3.62%	1.42%	-0.66%
Variance % 2023 vs 2022		-5.16%	-21.20%	-4.00%	9.28%	-5.12%
Vacancy (Ikeja incl.) (%)	2020	12.21%	12.74%	12.89%	12.84%	
	2021	10.97%	11.14%	11.56%	11.66%	
	2022	11.28%	11.04%	11.39%	10.85%	
	2023	23.19%	23.01%	22.46%	22.90%	
Collections (Ikeja incl.) (USD'000)	2020	3 878	3 243	3 142	2 384	12 647
	2021	3 083	2 801	3 437	2 796	12 117
	2022	3 535	3 330	3 262	3 968	14 095
	2023	2 837	2 545	3 285	2 787	11 455
Variance % 2021 vs 2020		-20.50%	-13.62%	9.38%	17.27%	-4.19%
Variance % 2022 vs 2021		14.64%	18.91%	-5.10%	41.91%	16.32%
Variance % 2023 vs 2022		-19.74%	-23.57%	0.72%	-29.75%	-18.73%

Trading metrics in USD have been negatively impacted by the devaluation of the Cedi against the USD.

The increase in the vacancy rate since December 2022 is due to the termination of the Game leases in the Ghanaian malls. Excluding the ex-Game space, the portfolio vacancy would be 7.81% instead of 22.90%. Securing replacement tenants for Game is a key priority, with progress to date set out above.

BALANCE SHEET AND CAPITAL MANAGEMENT

Hyprop successfully raised R1 billion under its Domestic Medium Term Note Programme (R240 million for a three-year term and R760 million for a five-year term) via a bond auction on 31 March 2023. The bond auction was 2.25 times oversubscribed. Proceeds were used to settle maturing facilities.

With strong support from lenders, the Group has refinanced €255 million of Euro denominated facilities and certain of its ZAR facilities which mature at the end of June 2023 and the beginning of July 2023, with excess facilities being settled. The refinancings will be implemented when the existing facilities mature.

The Group secured USD8.5 million in Nigeria recently, following a long period of limited USD availability in the country, which was deployed to settle Ikeja City Mall's senior loan interest payments.

Hyprop's liquidity remains healthy, with R1.9 billion of undrawn facilities and R2 billion of cash on hand at 31 May 2023. The LTV ratio remains at circa 37.2%, and is within Hyprop's target range.

ENVIROMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Sustainability is central to the environments we operate in, the people we work with and serve, as well as the norms, values and policies by which we operate our business. MSCI recently upgraded Hyprop's ESG rating to 'AA' from 'A', recognising Hyprop's improved corporate governance practices and green building initiatives.

Waste

During the period, the overall rate of diversion from landfill continued to increase each month as did the level of dry waste recycling. Between August 2021 and June 2022, general waste constituted 54% of total waste and has decreased to 21% between July 2022 and May 2023.

With our zero-waste programme well underway, greater emphasis will be placed on solutions for non-recyclables as our waste management initiatives evolve.

Water

The current erratic water supply has necessitated that we reassess water management at our centres. The following initiatives are complete and/or underway:

- The last phase of the 2023 project to convert the cooling towers at Hyde Park Corner will be completed by 30 June 2023.
- The design of a wastewater recycling plant at Canal Walk is at an advanced stage. The water flow measurements at various points are being analysed and finalised.

Energy

In order to mitigate the effects of loadshedding on solar production, diesel integration with solar-PV is being implemented at all our centres and is now standard for all new solar-PV projects.

Additional bulk diesel tanks with a seven-day capacity are being installed across our South African portfolio as a contingency plan for prolonged power outages.

The latest solar-PV rollout at Clearwater Mall (2 817 kWp), Woodlands Boulevard (4 054 kWp) and Rosebank Mall (186 kWp) will be completed at the end of June 2023. Feasibility studies for new solar-PV projects at The Glen Shopping Centre (3 854 kWp) and CapeGate Shopping Centre (5 532 kWp) have been completed and implementation is expected during FY2024. Additionally, feasibility studies for solar-PV systems at Canal Walk Shopping Centre and Somerset Mall are underway.

IN CLOSING

Notwithstanding the difficult global economic environment and specific challenges in each of the regions in which the Group operates, our portfolios remain well positioned with improving operational performance metrics, and are making headway towards achieving the Group's key priorities and strategic objectives.

In South Africa, power and water shortages, and the challenges of the tough economic conditions have been exacerbated by additional uncertainty created by the country's foreign policy.

Elevated interest rates globally remain a concern, negatively impacting the cost of debt across our portfolios, despite some mitigation from our hedging policy, as well consumers' disposable income.

Implementation of Hyprop's strategic objectives, prudent capital allocation and risk diversification should perpetuate the Group's operational recovery trajectory, as evidenced by the improved trading metrics above, and allow the Group to seek opportunities to grow the business, while delivering sustainable long term returns for stakeholders.

Hyprop will hold an in-person presentation at 08:30 on 28 June 2023 to discuss this operational update. The presentation and recording will be available on Hyprop's website thereafter.

Hyprop's financial results for the year ended 30 June 2023 are scheduled to be released in September 2023.

27 June 2023

Sponsor

JAVACAPITAL